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IRAN AND THE PERSIAN GULF

by

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ABBREVIATIONS

AID	Agency for International Development
APOC	Anglo-Persian Oil Company, Ltd.
CENTO	Central Treaty Organization
DFTC	Development Fund for the Trucial Coast
FAA	Federation of Arab Emirates
FLOSY	Front for the Liberation of Occupied South Yemen
GNP	gross national product
IPAC	Iran Pan American Oil Company
NIOC	National Iranian Oil Company
PRSY	The People's Republic of Southern Yemen
SAVAK	National Iranian Security Organization

GLOSSARY

bandar. Harbor, anchorage, bay.

bist-o hasht-e Mordad. Celebration of 19 August 1953 — the collapse of Dr. Musaddiq's regime and the beginning of the Shah's regime as supreme power in Iran polity.

dastkhat. Order (of dismissal).

farman. Royal decree.

fedayeen. Commando or guerrilla.

jabr-e tarikh. "Compulsion of History."

Majlis. Iranian Lower House of Parliament.

shatt. Stream, river.

Shi'a. One of the two leading "sects" of Islam.

Shi'i ulema. Shi'i theologian-jurists.

Shilat-e-Jonub. Southern Fisheries Company (Iran).

syasat-e mustaqell-e melli. Iran's new "independent national policy."

thalweg. Course of the main channel.

ulema. Muslim theologian-jurists.

Chapter 1

GEOGRAPHICAL AND HISTORICAL INFLUENCES

GEOGRAPHIC LOCATION

Iran's geographic location does not determine its policy nor is it the most important contributory factor, but it is significantly relevant to an analysis of Iran's Persian Gulf policy.

Iran, generally considered a Middle Eastern country, occupies some 636,000 sq mi — about one-fifth the size of the US — and is part of the enormous Middle East landmass of over 2.5 million sq mi penetrated by the arms of the Mediterranean Sea, the Persian Gulf, and the Red Sea. Most of the country consists of the Iranian plateau, marked off from the rest of the Middle East by the Zagros Mountains, which separate the plateau from the valleys and plains of the Fertile Crescent. This physical separation roughly coincides with the cultural division between Iran and the Arab Middle East, and both divisions further coincide, again roughly, with the east and west shores of the Persian Gulf.

Land Boundaries

Iran's present land boundaries are largely the outcome of the vicissitudes of international politics, particularly since the turn of the nineteenth century.¹ The single most important boundary is the Soviet-Iranian boundary (1050 mi), which begins at the junction of the Aras River and the Kara Su, follows the thalweg [course of the main channel] of the Aras, then leaves the river and trends across the Moghan Steppe, and finally follows the crest of the Talish Range and the thalweg of the Astara River. This section of the boundary lies to the west of the Caspian Sea, which gives Iran some 400 mi of crescentic coastline

facing the Soviet Union. East of the Caspian Sea, the boundary crosses the desert to the dry bed and then to the permanent channel of the Atrek River until it finally reaches the Hari Rud River. The boundary with the Soviet Union is the most important Iranian land boundary because here Iran faces one of today's superpowers that often has demonstrated keen and sometimes aggressive interest in Iran.

Iran's other land boundaries, some 1700 mi of a total of 2750 mi, border on four Muslim countries: Afghanistan, Iraq, Pakistan, and Turkey. The boundary with Turkey has had a turbulent history dating from the sixteenth century when the modern Iranian state was consolidated. Its checkered history concerned not only the two Muslim empires but also Great Britain and Russia in the nineteenth century. The final settlement of the boundary problem, however, occurred in 1934 during the rule of the nationalist regimes of Riza Shah and Mustafa Kemal Ataturk.

The Ottoman-Persian boundary problem was partly inherited by Iraq, a successor state of the Ottoman Empire. The Iraqi section of the old boundary has proved difficult to delineate satisfactorily; although a boundary treaty between Iran and Iraq was finally concluded in 1937, the problem has persisted to the present time. Iran's boundary with Iraq on the west is a continuation of the Irano-Turkish boundary (290 mi), which begins from a point on the Aras River and follows approximately the watershed between the Uromia Basin in Iran and the Van and Great Zab basins, after skirting the foothills of the Ararat.

The disputed portion of the Irano-Iraqi boundary (550 mi) consists of the Shatt al-Arab border river (120 mi). It is composed of a small section of the confluence of the Tigris and Euphrates and then of the confluence of these rivers and the Iranian river Karun. It flows to southeastern Iraq and southwestern Iran and empties into the Persian Gulf. Iran claims that over 60 percent of the water flowing into the Shatt comes from Iranian rivers: the Karun (the largest tributary), the Upper and Lower Zab, Dialeh, and Kabur. But the dispute mainly concerns the boundary line itself, which, according to the 1937 treaty, follows the low-water mark on the north bank instead of the thalweg, with two exceptions that leave the anchorage of Khorramshahr and Abadan to Iran.

Iran's boundaries with Afghanistan and Pakistan on the east are relatively free from controversy today, although the Irano-Afghan boundary (550 mi) also has been marked by much conflict between the two countries. This controversy has involved four arbitral awards by third powers and the related problem of allocation of the vital waters of the Helmand River, which has proved most difficult to tackle satisfactorily.

Sea Boundaries and Major Ports

In the north, east, and west Iran is largely bounded by land boundaries, and in the south and southwest it is flanked by the sea. This physical characteristic endows Iran with approximately 1050 mi of coastline. The southern coast borders on the Persian Gulf, the Strait of Hormuz, and the Gulf of Oman. The whole coast is backed by mountains except at the head of the Persian Gulf in the extreme northwest, where it is composed of mud-flats and marshes and the joint estuary of the Karun and the Tigris and Euphrates (the Shatt al-Arab).

Iran's interests in the Persian Gulf significantly involve its major ports in the Gulf area.² Two of these ports are located at the head of the Gulf, namely, Abadan and Khorramshahr.³ Abadan ($30^{\circ} 20' N$, $48^{\circ} 16' E$) lies on Abadan Island — the site of one of the world's largest oil refineries — on the left bank of the Shatt al-Arab, about 27 mi above Fao. Until recently it was Iran's single most important port for the export of petroleum products. It is still important, although, because of the expanding volume of trade and the dispute over the Shatt al-Arab regime with Iraq, its facilities have been "relocated" on Bandar Mah Shahr.

Khorramshahr ($30^{\circ} 26' N$, $48^{\circ} 10' E$), formerly called Muhammareh, is Iran's single most important general cargo port. It lies at the junction of the Karun and the Shatt al-Arab, about 38 mi above Fao. The port has had a checkered history as has the rest of southern Khuzistan, where the authority of the central government was challenged often by local rulers, Ottoman authorities, and the British, who shelled the town in the Anglo-Persian War of 1857. Riza Shah reasserted Iran's control in 1925 and, by 1941, he had constructed a T-shaped jetty, a new customs pier, and warehouses on the Karun front and even a small naval station with jetties for light craft on Abadan Island. After the Anglo-Russian invasion

of Iran in 1941, the port gained particular importance as it was needed by the Allies for sending supplies to Russia through Iran. The deep-water jetty was enlarged by an American firm into a continuous deepwater quay for ocean-going vessels.

Iran's other major ports have also been undergoing unprecedented improvements in recent years. The port of Bandar Shahpour ($30^{\circ} 23' N$, $49^{\circ} 07' E$) is built on the reclaimed area of the north side of the Khor Musa about 45 mi from the open sea. The deep tidal inlet of Khor Musa at the head of the Persian Gulf can accommodate large ships at anchor. However, the nearby Bandar Mah Shahr has in recent years overshadowed Bandar Shahpour as a major Iranian port on the Persian Gulf.⁴

Of all the major ports of Iran, Bandar Abbas ($27^{\circ} 11' N$, $56^{\circ} 17' E$) in particular is the object of vast modernization projects at the present time; its geographic location relates to much of Iran's historical, economic, and politico-strategic interests in the Persian Gulf.⁵ Bandar Abbas faces the Strait of Hormuz, which forms the entrance to the Persian Gulf and links it with the Gulf of Oman. On the Iranian side, the Strait's coast trends east-northeast from Lingeh for 96 mi to Bandar Abbas. It then curves east and southeast for 40 mi to the Minab River. Iran also has significant nearby islands and control points in the Strait, the sole access to the Persian Gulf. The island of Quishm, the largest island in the Persian Gulf⁶ (67 mi long), is separated from the mainland between Lingeh and Bandar Abbas by the Clarence Strait. Several smaller Iranian islands are located in this strategic area: Hengam and Larak, which lie off Quishm Island,⁷ and historic Hormuz Island, which lies off the mainland coast east of Bandar Abbas.⁸ Iran's other major and undisputed island in the Gulf is Kharg Island in the upper part of the Gulf.⁹

Across the Persian Gulf Iran faces a number of Arab states and sheikhdoms.¹⁰ Although Iran is the most populous, Saudi Arabia is the largest single state of the Persian Gulf in terms of territory (772,000 sq mi), followed by Iran (636,000 sq mi), Iraq (173,000 sq mi), Qatar (8000 sq mi), and Kuwait (6000 sq mi). Iran also faces other Arab territories, including the Neutral Zone (an area of some 2000 sq mi) and the Trucial sheikhdoms. (Of the seven Trucial States, however, Fujaira lies on the Indian Ocean rather than the Trucial Coast proper.) Many

Iranians live and work in Arab territories of the Gulf, particularly in Iraq, Kuwait, the Trucial Coast, and Bahrain.

HISTORICAL POSITION

Despite its tumultuous history, Iran is now celebrating the 2500th anniversary of its monarchy; it has enjoyed, at least since the turn of the sixteenth century, relatively stable national boundaries and has been involved in world politics since the turn of the nineteenth century. As such Iran's foreign policy has a history, and its Persian Gulf policy has a distinct history as well. An attempt is made here to identify those patterns and trends that have special pertinence to Iran's contemporary Persian Gulf policy.

Ancient Kings: Sixth Century B.C.-1500

Iran's position in the Persian Gulf from the sixth century B.C., when the Persian Empire rose to power, to the seventh century A.D., when it was overrun by the Arabs, is largely shrouded in obscurity. It may be assumed, however, that the Persian rulers were concerned about the security of their vast maritime provinces bordering on the Persian Gulf.¹¹ At least it is certain, according to Herodotus, that the sea route between the Persian Gulf and India was of interest to ancient Iranians. Because he believed in the opening of a trade route by way of sea between Indian and the Mediterranean, Darius the Great dispatched an exploration force under the Greek, Scylax of Caryanda, to discover where the Indus issued into the sea.¹²

If indeed the Iranian hegemony over the Middle East during the Achaemenids turned the Persian Gulf into a "Persian Sea," as contemporary Iranians seem to assume, there is little doubt that the power conflict between the Iranian rulers and the Arabs of the Gulf was in full bloom during the early centuries.^{13,14,15} The inadequacy of reliable historical data makes it hazardous to probe further into the Iranian position in the Gulf in ancient times. It is clear that capable rulers of ancient Iran did show interest in the Persian Gulf, and the contemporary image of Iran's ancient position in the Gulf has been used to

rationalize Iran's position in the Gulf in modern times. This rationalization is all the more revealing because Iran's ancient power position in the Gulf did not in fact continue uninterrupted into modern times. Iran may have continued to exert power in the Gulf after the Arab conquest, particularly during the ninth and tenth centuries A.D. when Persian independence reasserted itself, but the restoration of the Persian Empire as a unified political entity did not occur until the 1500's, during which time Iranian power in the Persian Gulf was clearly reasserted.

Modern Iran: 1500-1800

Iran's power position in the Persian Gulf in modern times, as in ancient times, seems significantly related to its domestic situation, particularly the institution of monarchy. Shah Isma'il (1499-1524), the founder of the Safavi dynasty, adopted the Shi'a subdivision of Islam as the official creed of Iran, launched a campaign of conversion and conquest, brought vast territories formerly ruled by "petty rulers" under his control, nearly restored the ancient frontiers of the Sassanids, and probably hoped, according to Arnold Toynbee, to establish a new "world empire."

The establishment of the modern Iranian state coincided with the Portuguese penetration in the Persian Gulf. The Portuguese captain, Alfonso D'Albuquerque, sent an expedition to attack Hormuz as early as 1507 A.D., wrested it by force of arms from the Persians in 1515, and refused Shah Isma'il's demand for tribute, claiming that the "kingdom of Ormuz belonged to the King of Portugal." When Hormuz was occupied by the Portuguese, the Shah was in deep armed conflict with the Ottoman Empire, a conflict that continued intermittently until 1639 when the first "Treaty of Peace and Frontiers" was finally concluded between the two Muslim states. But before formal peace was made with Turkey, Hormuz was regained by a more capable Shah.

Shah Abbas the Great (1587-1629) reasserted Iran's power position in the Gulf by recovering Hormuz from Portuguese occupation, which he "regarded as inconsistent with national honour and with the prosperity of his kingdom."¹⁶ He had succeeded in restoring vast territories lost in the inconclusive wars with the Ottoman Empire and finally entered

into peaceful relations with Turkey (1618). This peace enabled the Shah to claim the island of Hormuz on the ground that it had been tributary to Iran before the coming of the Portuguese, and, when rebuffed, he resorted to arms for the attainment of his goal. Faced with the presence of a strong Portuguese navy in the Gulf, the Shah first ordered Imam Quli Khan of Shiraz to blockade the island of Quishm (opposite the island of Hormuz), which was also fortified by the Portuguese, and then forced the British vessels that happened to be in the Gulf at the time to assist Iran in recovering Hormuz.¹⁷ The British, fearing "the loss of their silk and the destruction of the trade which had been so painfully built up, but not yet established," decided to participate in the Iranian campaign in order "to remove, once and for all if possible, the menace of the Portuguese in the Persian Gulf."

As a result, Iran concluded its first alliance in modern times with Great Britain. According to the terms of the alliance, the English would be free for all time from all duties; Iran would pay half the expenses of the fleet for supplies; and the allies would divide the spoils of war equally. The joint offensive on land and sea resulted in the destruction of the Portuguese fleet and the bombardment of the castle on the island, which fell in 1622 to the allies after more than a century of Portuguese control that had meant dominance over trade between India and Europe via the Persian Gulf. "For the English the taking of Hormuz was the most important event which had occurred since their appearance in the East"¹⁸; for the Iranians it marked the first successful reassertion of Iranian power in the Persian Gulf in modern times. "The conquest of Bahrain, Bandar Gombrun [Bandar Abbas], and the Qishm and Hormuz islands and the expulsion of the Portuguese was one of the most brilliant accomplishments of Shah 'Abbas the Great which was made possible by the genius, courage and devotion of Imam Quli Khan."¹⁹

The success of Iranian policy and strategy in the Persian Gulf had been made possible partly because of the relative political stability of Iran under Shah Abbas the Great. Given the Iranian political system, the power position of Iran (hence its role in the Persian Gulf) has most often depended largely on the character of the ruler in power, and the successors of Shah Abbas the Great failed to maintain Iran's power

position within or outside the Gulf. In fact, the very independence of Iran was destroyed in the eighteenth century when Shah Sultan Husayn succumbed to the Afghan forces of Qandahar in 1722, and the Ottoman Empire and Russia — after competing as rival powers in northern Iran — as "allies" partitioned Iran between themselves in 1724. As the result of the Afghan, Turkish, and Russian occupations Iran was stripped of its territorial integrity and political independence, and consequently, its power position in the Gulf suffered seriously.

The details of Iran's weakening power in the Gulf are beyond the scope of this study; in essence, what Shah Abbas had accomplished for Iranian power was swiftly undone. The Afghan invaders overran Fars, took Shiraz, and threatened to attack Bandar Abbas. The defense of the port was ensured solely by the presence of the Europeans who had commercial interests there. More important, during the reign of the irrevocable King Husayn, the ruler of Oman wrested Bahrain from the Iranians, and the Arabs of Muscat seized several Iranian islands off the coast, including the island of Qishm.²⁰

But, once again, the appearance of a strong ruler on the scene not only resulted in the restoration of the country's territorial integrity but also enabled Iran to effectively reassert its position in the Persian Gulf. Nadir Quli Khan, who rose to power in 1727, forced the Turks, Russians, and Afghans out of the Iranian provinces; established Iranian control over the entire coast of the Gulf from Basra to Makran by 1736; overran Oman from Bandar Abbas (1737); and brought Bahrain under Iranian control.²¹

Nadir Shah made the creation of Iran's naval power one of his most cherished objectives. In the north he tried to strengthen the position of his forces on the east coast of the Caspian Sea in order to keep the Turkoman pirates in check and provide logistical support for his troops in armed conflict with Lesghians. He made a bid for sea power in the Persian Gulf by making Bushire the headquarters of his nascent fleet of some 20 to 30 vessels, "which made the power of Persia a reality instead of a shadow in those waters."²² These vessels had been built in Europe and were manned by Portuguese and Indians, a fact that did not please the Shah. He planned the establishment of an Iranian dockyard to use

timbers transported all the way from Mazandaran, but the project was abandoned after his assassination in 1747.

The assassination of this strong ruler threatened domestic political disintegration. Nadir Shah was succeeded by his nephew, who was murdered by his brother, and the ancient practice of fratricide plunged the country into chronic political instability until the rise of Karim Khan. His short rule was followed by another cycle of fratricidal wars until almost the turn of the nineteenth century when powerless Iran was sucked into the whirlpool of European power politics.

Iran's weakening power during this half-century coincided with the emergence of British dominance in the Persian Gulf at the expense of rival Portuguese and Dutch commercial and political influence. Iran's expulsion of the Portuguese from the island of Hormuz with British assistance signaled the beginning of Portugal's loss of power in the Persian Gulf despite its attempt to hold on to Musqat. With the Portuguese demise, Iran faced British-Dutch rivalry, centering on Iran's Bandar Abbas. At the outset, however, the Dutch rather than the British posed the most serious challenge to Iran's position, as evidenced by their attack on Qishm Island (1645) for the purpose of extracting the monopoly of silk purchase in Iran and complete freedom from Iranian customs. The Dutch dominance over the Gulf trade and politics gradually waned with the loss of Basra, Bushire, and Bandar Abbas, and by the mid-eighteenth century Great Britain began to replace Holland as the supreme power in the Persian Gulf.

Except for the reversion of Kharg Island to Iran with British assistance, the emerging dominance and increasing influence of Great Britain in the Persian Gulf during the latter part of the 1700's further weakened Iran's power position. Two major developments marked the deterioration. First, the British managed to acquire concessions from Karim Khan, largely for trade, but inevitably also for the exercise of unprecedented political and juridical influence on the Iranian shores of the Persian Gulf. As a result of a farman (1763) Karim Khan made the British exempt from all customs on the export and import of goods, gave them a monopoly in the trade in woolen goods, and granted them exclusive privileges of settlement at Bushire where, for all practical

purposes, the British began to enjoy sovereign rights to the exclusion of all other European powers. From a British perspective, such sweeping concessions were the natural result of Britain's power and influence in the Indian trade and its victory over old rivals, the Portuguese and the Dutch,²³ but from an Iranian perspective the concessions were the outcome of "complete political ignorance" of the Iranian ruler.²⁴ Most probably both the grave Iranian political instability and the unrivaled British preponderance in the Gulf made it possible for Great Britain to crown its growing power position by this unusual achievement at Bushire. More important, in retrospect, were the consequences of these British political and commercial gains for Iran in the ensuing years.

The other major development was the loss of Bahrain in 1783 to Utubi Arabs who crossed over from the Arabian mainland and occupied Bahrain Island, the principal island of the Bahrain Archipelago.²⁵ Although Iran acknowledged Utubi control, the Iranian claim to Bahrain continued into the 1960's.²⁶

Iran's Decline: 1800-1921

From 1500 to 1800, the Ottoman Empire was the single most important foreign power of concern to Iranian rulers as evidenced by numerous inconclusive wars, boundary skirmishes, tribal problems, etc. The only significant interruption in this bilateral pattern of Persian-Ottoman antagonism was the short-lived Russian-Turkish occupation of north and west Iran during the Afghan rule at Isfahan in the eighteenth century. The Portuguese, Dutch, and British rivalries for supremacy in the Persian Gulf only sporadically engaged Iranian power, as in the case of the expulsion of the Portuguese from Hormuz.

Iran's involvement in European power politics was signaled by its alliances with Great Britain and France in the 1800's. The initiative for the first alliance with Iran (1801) came from Great Britain whose interests seemed threatened by Napoleon's ambitions in India as he landed troops in Egypt in 1798, took Alexandria and Cairo, and threatened the Persian Gulf. France tried to reach an alliance with Iran in 1802, 1804, and 1805 but failed because of the preponderance of British influence in Tehran; it finally succeeded in doing so in 1807, by which

time the British image had suffered at the Court of Fath 'Ali Shah because of the reluctance of Great Britain to assist Iran militarily in its war with Russia, which began in 1804.

Once Iran was drawn into European power politics, however, its particular concern was the Anglo-Russian rivalry. The center of this rivalry was not the same throughout the nineteenth century. In the early 1800's Azerbaijan was the main focus of conflicting interests of the rival powers because Russia was bent on expansion southward into the Caucasus and beyond, probably toward India. By the latter quarter of the century Khorasan became the center of rivalry, again because of the direction of Russian expansion, this time into Central Asia. And by the end of the century the Persian Gulf itself became the focal point of the rival ambitions of Great Britain and Russia. By that time Russia enjoyed preponderant influence in Iran, except in the south where the British position was unrivaled as a result of dominant British influence in the Gulf.

Great Britain's increasing influence in the Gulf in the nineteenth century was signaled by its General Treaty of Peace of 1820 with the Arabs of the "Pirate Coast," later constituting the seven Trucial sheikhdoms. The assassination of Nadir Shah in 1747 and the consequent decline of Iranian power emboldened the Wahabi Arabs to extend their control over the opposite side of the coast. The Arabs plagued British commerce from this coast in the early nineteenth century by repeated acts of piracy, destruction of British vessels, and capture of British subjects as hostages. They organized an effective system of piracy, including at one time some 60 large vessels and 800 smaller ones, manned by 19,000 men.²⁷ Fath 'Ali Shah's preoccupation with the Russian threat in northern Iran precluded an Iranian show of force in the Persian Gulf, and the only significant challenge to the Wahabi power was offered by Egypt. Muhammad Ali succeeded in reestablishing his control of Nejd (1835-1838) and occupied Hasa and the Gulf ports of Qatif, Saihut, and Uqair. Further Egyptian designs, however, were foiled by the British who had already gained some influence with the Trucial Coast as the result of the General Treaty of Peace.

Bahrain signed this treaty and also concluded, on 15 February 1820, a particular treaty that marked the beginning of that special relationship with Great Britain that eventually placed it, for all practical purposes, under British control. The Sheikh of Bahrain committed himself only to prohibitions against acts of piracy, but the overall development in British-Iranian relations subsequently led to the conclusion of the treaty of 31 May 1861, which placed Bahrain under British protection insofar as the sheikh deprived himself of any independent course of action in foreign affairs and accepted the "British Resident in the Persian Gulf as the arbitor" even in instances when others committed "acts of aggression" against the island.^{28,29}

The inability of Iran to maintain any noticeable force or to protect its interests in the Persian Gulf in general and over Bahrain Island in particular, partly a consequence of its preoccupation with wars and conflict with Russia, paralleled the increasing power of Great Britain. Iran's vulnerability to British force of arms in the Persian Gulf was demonstrated twice — both occasions involving Herat — before the British decided to turn Bahrain Island into a virtual protectorate.

Iran's reaction to the enhanced British position in Bahrain after the 1861 agreement took two basic forms. First, as early as 1865 Nasser ed-Din Shah sought to establish an Iranian naval force in the Gulf with British assistance. The whole idea was "discountenanced by the British Government," states Lord Curzon, "to whom it was known that the project really concealed aggressive designs upon the independence of the islands and pearl fisheries of Bahrein."³⁰ Second, Iran continued to assert its claim of sovereignty to Bahrain by diplomatic protest. In reply to an Iranian protest, Lord Clarendon stated, in a frequently cited letter dated 29 April 1869, that the "British Government readily admit that the Government of the Shah has protested against the Persian right of sovereignty over Bahrein being ignored by the British authorities, and they have given due consideration to that protest."³¹ Iran interpreted this letter to mean British recognition of its "sovereign right" over Bahrain.³²

If there had been any doubt about the status of Bahrain under the 1820 and 1861 treaties with Great Britain, no such doubt remained by

1892. Agreements signed between Great Britain and Bahrain in 1867, 1880, and 1892 placed the conduct of Bahrain's foreign relations under complete British control; in the face of Iran's inability to act, the island of Bahrain became virtually a British protectorate by the turn of the twentieth century.

Another major problem facing Iran in the Persian Gulf area during the nineteenth century stemmed from the Ottoman-Persian conflict over boundaries, including the Shatt al-Arab River. The peace and boundary treaties of 1639 and 1746 had done little to create stable boundaries between the two empires; still another treaty, signed in 1823 at the end of another war between the two countries, left the thorny boundary problem largely in abeyance. But when war once again threatened between Iran and Turkey in 1842, Great Britain intervened as a mediator. The British interest in a stable boundary between the two Middle East powers at the time was both commercial and political in nature. Politically, a new armed conflict would weaken Iran and Turkey as British buffer states against Russia. Economically, Great Britain wished to open new channels of commercial relations with the East through the Irano-Turkish dominions, including orderly use of the Shatt al-Arab as well as the Persian Gulf by commercial steamers. At the invitation of Great Britain, Russia, Iran, and Turkey formed a boundary commission whose work led to a new agreement between Iran and Turkey in 1847. Iran relinquished the province of Zohab, and, in return, Turkey recognized Iran's sovereignty over the island of Abadan, the town and port of Muhammareh (now Khorramshahr), and the eastern banks of the Shatt al-Arab, which were admittedly in the hands of Iranian tribes. Except for the confirmation of the already established rights of navigation and fishing, the arrangements were still unsatisfactory to Iran because Turkish control extended over the Shatt al-Arab's low-water mark on the east bank. Hence, another commission worked intermittently from 1848 to 1869, but without conclusive results. However, to the extent that the new arrangements reduced the Ottoman-Persian conflict, the British were able to extend their influence in southern Iran.

This influence was further increased in 1888 when the British acquired a far-reaching concession in regard to the Karun River. For

nearly 50 years the British had tried to acquire a privileged position on this river, highly valued as both a channel of communication into the interior of Iran and beyond and a trade route to grain-producing centers in western Iran and to India. The concession, granted by Nasser ed-Din Shah by means of a farman, theoretically opened the river to free navigation of all nations, but practically for the benefit of British commerce insofar as the British commercial and political influence by this time dominated the Persian Gulf. More important from a political standpoint, the concession paved the way for greater exercise of British influence in southern Iran and throughout the Persian Gulf. As the trade with Khuzistan developed, a British vice-consulate was established at Khorramshahr in 1890, and a post office in 1892. Also in 1892, new treaties with the Trucial sheikhs and Bahrain placed the affairs of the Gulf sheikhdoms under the control of the British political resident for the Gulf, located in Bushire.

Russia vigorously protested the grant of the Karun concession to Great Britain.³³ The Russian pressure resulted in the Shah's promise to the tsar in 1889 that the Iranian government would not grant railway concessions to any power except Russia, which feared British railway construction from the upper Karun to Tehran. Nevertheless, the Karun concession to the British marked the beginning of unprecedented Russian activities in the south, including Bushire, Bandar Abbas, and Hormuz. Russia also planned the establishment of a port and a naval base in the Persian Gulf, which prompted Lord Curzon to state categorically: "I should regard the concession of a port upon the Persian Gulf to Russia by any power as a deliberate insult to Great Britain, as a wanton rupture of the status quo, and as an intentional provocation to war...."³⁴

Iran's power position continued to weaken and the influence of Great Britain to increase during the first quarter of the twentieth century, but several significant changes resulted from the Anglo-Russian rapprochement in 1907, the discovery of oil in southern Iran in 1908, and World War I (WWI).

The Anglo-Russian rapprochement was aimed fundamentally against the emergent German threat to British and Russian interests in the Middle East. The German threat initially had been launched to challenge the

British rule of the seas, including the Persian Gulf. German's ambitious Baghdad railway plan was designed to link the Persian Gulf with Konia, the terminal point of the German-controlled Anatolian railway. The rapprochement also aimed at reconciliation of Russo-British rival interests in the Middle East through the preservation of the status quo. This would, in the British conception, require something like the Monroe Doctrine for the Persian Gulf, which was declared by Lord Lansdowne to include the following principles:

Firstly, we should protect and promote British trade in the Gulf. Secondly, we should not exclude the legitimate trade of others. Thirdly, we should regard the establishment of a naval base or a fortified port in the Gulf by any other Power as a very grave menace to British interests, and we should certainly resist it by all means at our disposal.³⁵

The Anglo-Russian Convention of 31 August 1907 partitioned Iran into British, Russian, and neutral zones. Although the British sphere of influence was smaller than that of Russia, the main concern of the British government was to acquire Russian recognition of the British "special interest in the maintenance of the status quo in the Persian Gulf." Great Britain had first hoped to include an appropriate provision on the Gulf in the convention, but because of Russia's apprehensions it was satisfied to note that, in the course of the negotiations leading to the convention, Russia had explicitly stated that it "did not deny the special interests of Great Britain in the Persian Gulf."³⁶

Nearly a year after the Anglo-Russian convention a significant development increased the value of the Persian Gulf for the British. In May 1908, after some 7 years of test drilling, the first geyser of oil burst forth at Masjid Sulayman. The British influence was increased by the oil discovery in southwest Iran, and, because the Iranian government was unable to exercise effective control, further deterioration of Iranian authority in the south resulted. With the opening of the Karun River to British trade with the interior of Iran, the British had already entered into a variety of new agreements with both the Bakhtiari Khans and Arab Sheikh Khaz'al, the hereditary ruler of an enormous territory on the eastern side of the Shatt al-Arab [including Abadan Island,

which the Anglo-Persian Oil Company, Ltd. (APOC) selected as the site for a refinery].

The intricate web of agreements between the company on the one hand and the Arab and Bakhtiari chiefs on the other took on added significance in 1913 when the British decided that the Royal Navy should use oil instead of coal. Winston Churchill, then First Lord of the Admiralty, stated in the House of Commons:

Our ultimate policy is that the Admiralty should become the independent owner and producer of its own supplies of liquid fuel.... We must become the owners, or at any rate the controllers at the source, of at least a proportion of the supply of natural oil which we require.³⁷

The British government became the major and controlling partner of the APOC, thereby increasing official British interest in oil operations of southwest Iran. Britain's traditional interests in trade and defense of India had been steadily augmented by newer interests in telegraphic communication, political control of the Persian Gulf sheikhdoms, river transportation on the Karun River, manipulation of Iranian tribal groups in the south for commercial and political purposes, and the acquisition of oil and its safe shipment via the Gulf.

To protect these interests the British resorted to force rather than relying on Iran's policy of neutrality at the outbreak of WWI. They first included the neutral zone within their sphere of influence in exchange for recognizing the Russian desire to annex Istanbul and the Turkish Straits in case of an Entente victory. In 1916 they dispatched a military mission to southwest Iran to organize a force under the command of Sir Percy Sykes, which became known as the South Persia Rifles. Even before war had broken out, Great Britain had sent a brigade to Bahrain; at the commencement of hostilities with Turkey, this force seized the Turkish port at Fao, the point where the Shatt al-Arab flows into the Gulf. These foreign military operations on Persian soil and in Persian territorial waters revealed the consequences of Iran's political instability and lack of power as well as great-power rivalry and expansionism.

Riza Shah: 1921-1941

By the end of WWI Iran's independence was nominal. Internally, in the years between 1918 and the rise of Riza Khan as a result of a successful and bloodless coup d'etat in 1921, the country was on the verge of political disintegration, as evidenced by the uprisings in Gilan, Azerbaijan, Khorasan, and Kurdistan in the north and the old autonomy enjoyed by the Bakhtiari and the Arab chiefs in the south. In Tehran the "Committee of Punishment" terrorized the ruling elite, itself divided because of traditional clannish, personal, and cliquish antagonisms. The political system, despite the Constitutional Revolution (1905-1911), possessed few of the social, political, economic, and attitudinal attributes that make for stability in a modern political system. Nor did Iran then possess the strong effective ruler traditionally necessary for its stability. Ahmad Shah, a young and frivolous monarch, ruled the country in absentia.

Externally, also, Iran was powerless as its territory was under foreign occupation. The military forces of Great Britain and Russia effectively controlled the south and the north respectively, although the independence of Iran was nominally respected. The presence of foreign troops on Iranian soil, a consequence of the war at first, was later complicated by the Bolshevik Revolution and the British operations in the Caucasus. But the influence of these powers in Iran had long preceded their military operations during the war; for that reason the consolidation of Iran's domestic political stability was closely interlocked with foreign policy, a fact that meant neither of the twin goals of internal stability and external emancipation could be attained without the other.

In 1921 Riza Khan attained the throne of Iran and established the Pahlavi dynasty — in retrospect, the single most important development for achieving relative stability and freedom of action in world affairs. The stability he established was mostly the result of his successful creation of a modern Iranian army at a time when both Great Britain and Russia, for different reasons, favored the existence of a strong central government in Iran.

The first expression of Riza Khan's determination to reassert the position of Iran in the Persian Gulf area was his action against Sheikh Khaz'al, the Arab chief who had long enjoyed nearly complete autonomy because of the powerlessness of the central government in Tehran.³⁸ By 1924 Riza Khan had unified, Iranianized, and strengthened the army and successfully extended the authority of the central government to Khorasan, Azerbaijan, and Gilan; he then decided to bring Khuzistan under control. The opportunity presented itself when, in addition to refusing to pay taxes, Sheikh Khaz'al instigated the Arab tribal chiefs to rebel against the central government, denounced Riza Khan, and called for the return of the absentee Ahmad Shah from Europe. Armed with the support of the Majlis, the Shi'i ulema, and his devoted officers, Riza Khan personally led the troops against the sheikh. The British — who had repeatedly assured the sheikh of their support, entered into agreement with him for purposes of protecting their oil interest, and enjoyed his aid to their Expeditionary Force in capturing Basra during the war — tried to mediate between the sheikh and Riza Khan but were ignored by the latter, who regarded the control of Khuzistan as an internal affair of Iran. He relied on his masterful show of force and finally landed at the port of Daylam, where he received the sheikh's unconditional submission to the authority of the central government. Riza Khan then appointed one of his generals as the governor-general of Khuzistan and thus returned to the full control of Tehran, the oil-rich province bordering on the Persian Gulf.

Riza Khan's determination to reassert Iran's position in the Persian Gulf led to an open contest with Great Britain over Bahrain. On 22 November 1927 the government of Riza Shah protested the British claim of sovereignty over Bahrain, implied in a British treaty with Ibn Saud who had undertaken to refrain from interference in Bahrain. In the following years, the Iranian claim to Bahrain was reasserted repeatedly when the British required that Iranians possess passports to enter Bahrain and when the British attempted to obtain an oil concession from the Sheikh of Bahrain.

Riza Shah's claim to Bahrain, which was communicated to the League of Nations, rested on four major grounds.³⁹ First, although the British

denied the validity of the letter of Captain William Bruce²⁹ to the Governor of Shiraz in 1822, the historical truth was the Captain's "confirmation of the fact that islands of Bahrain then formed part of the province of Fars." Second, Iran submitted that the Earl of Clarendon's note of 29 April 1869³¹ had amounted to British recognition of Iran's sovereign right over Bahrain. Great Britain denied such an interpretation of the letter, stating that the British government had simply indicated that the Iranian protest would be duly considered. Third, Iran questioned whether the sovereignty of Bahrain could have passed from Iran to Great Britain without Iran's official act, under the law of nations. Great Britain simply denied that any such principle formed a part of international law. Fourth, Iran heavily relied on historical grounds. It stated that "Bahrain has always and uninterruptedly formed part of Persia in past centuries, except during the Portuguese occupation from 1507 to 1622, in which year the Persian Government resumed possession of this territory." Great Britain refused to accept that the islands had been continuously ruled by Iran before 1507 or after 1622 when, the British submitted, the Iranian forces had been driven out by the Utubi Arabs. Iran and Great Britain did not go beyond these verbal skirmishes, and the Bahrain problem continued to 1970.

Riza Shah reasserted Iran's position in the Persian Gulf area when its dispute with Iraq over the Shatt al-Arab was brought to the attention of the Council of the League of Nations on 29 November 1934. Iraq claimed de jure control over the whole body of the river while it was exercising de facto control. Iran challenged the Iraqi position on the ground that the frontier between two states on the opposite banks of a river should follow the line of thalweg. On 4 July 1937 Iran and Iraq resolved their differences outside the League by concluding a boundary treaty that governed the relations of the two countries in regard to the Shatt al-Arab until it was declared null and void in 1969.

Although the creation and unification of the Iranian army was Riza Shah's primary objective, his interest in modernization of the country extended to some improvement of Iranian ports on the Gulf with a view to both commerce and naval power. His ministry of war employed two Italian naval officers for advice and assistance to Iran, and the first group of

Iranian students for future service in the Iranian navy were sent to Italy in 1927; they returned, amid much national jubilation, to the Persian Gulf 5 years later, together with two destroyers and four gunboats. However, by the end of WWII even this modest force disappeared. In 1941, as in WWI, the country was occupied by British and Russian forces in the south and the north, again because of the German threat to the rival powers when Germany attacked Russia. The fundamental objective of the Allied powers was, to borrow Winston Churchill's words, "to open the fullest communication with Russia through Persia." Iran was chosen as the supply route because the two alternative routes were impossible to use. The Turkish Straits were barred by Turkey's strict neutrality and its ability to implement that policy with considerable force, and the Arctic route was least attractive both because of climate and the German occupation of the Norwegian coast.

An Overview

From the foregoing broad outline of Iran's power position in the Persian Gulf from ancient times to the abdication of Riza Shah in 1941, two overriding conclusions are drawn.

First, Iran's power position in the Gulf in historical times largely hinged on its own domestic capabilities, most particularly on the individual Shah's ability to create and maintain a relatively effective army. It was no coincidence that periods of Iran's more effective posture in the Gulf were those of outstanding rulers enjoying the loyalty of the army: Shah Abbas the Great made the first attempt in modern times to create a regular army instead of the traditional tribal contingencies, Nadir Shah is characterized first and foremost as a "military genius," and Riza Shah is universally considered as the "father of the modern Iranian army."

Second, no matter how tempting it may be to ascribe much weight to the impact of capabilities on Iran's posture in the Gulf, the fact still remains that the external environment, whether regional or global, exerted equally significant influence. For example, without the assistance of the British even Shah Abbas the Great might have been unable to expel the Portuguese from Hormuz, or without the conciliatory attitude of the British even Riza Shah might not have been able to extend the

control of the central government to the shores of the Gulf by dislodging the autonomous rule of Sheikh Khaz'al. Thus Iran's historical role in the Gulf was largely influenced by the conditions of domestic capabilities, but it played that role effectively only in times when internal capabilities were matched by favorable external circumstances.

Chapter 2

CONTEMPORARY IRAN AND PERSIAN GULF POLITICS

Iran's active thrust into Persian Gulf affairs in the contemporary period must be dated from the Iraqi revolution in 1958. The remainder of this study will therefore attempt largely to analyze the development of Iran's Persian Gulf policy since that time by examining the political, economic, and security aspects of that policy; the internal and external factors and forces contributing to its development; and the course of its actual development over the past decade.

MUHAMMAD RIZA SHAH

It took Riza Khan about 4 years — from the bloodless coup d'etat of 1921 to the parliamentary acknowledgment of his rule as the Shah of Iran in 1925 — to consolidate internal order and security for his regime, but it took his son some 20 years, from the abdication of Riza Shah in 1941 to the early 1960's, to accomplish a similar goal. In retrospect, the similarities between the measures of the father and the son in gaining supremacy in the political system of Iran are striking, although, of course, there were significant differences. Both gained the position of the single most important decision maker by overcoming foreign occupation, extending the authority of the central government to the provinces, and establishing effective control over rival domestic political forces and institutions.⁴⁰

The 1942 Tripartite Treaty signed by Iran, Great Britain, and the Soviet Union (a) asserted that the presence of Allied forces on Iranian soil after the 1941 Anglo-Russian invasion did not constitute military

occupation; (b) provided for respect of Iran's territorial integrity, sovereignty, and political independence; and (c) called for the withdrawal of Allied powers from Iranian territory not later than 6 months after all hostilities between the Allied powers and Germany and its associates had ceased. Despite these diplomatic niceties Iran's freedom of action at home and abroad was severely curtailed; its thousands of miles of roads and railways were administered by foreign personnel; its economy was gripped in a serious inflationary spiral; and its food supplies dwindled in spite of sporadic Allied assistance — the shortage of meat, bread, sugar, and tea plagued most groups in the society while it filled the pockets of many hoarders, brokers, and contractors. These social and economic dislocations resulting from the Allied war efforts aggravated the traditional maladies of the Iranian society, but none proved so severe for the political life of the nation at the time as the reluctance of the Soviet troops to withdraw from Iranian territory when Iran believed the time had come. In the debate about who played the decisive role in bringing about the eventual withdrawal of Soviet forces from Azerbaijan aside, there is little doubt that the statesmanlike diplomacy of Prime Minister Ahmad Qavam and the moral support of the US were matched by the young Shah's personal supervision of the military operations against the separatist government of Azerbaijan in 1946.

The successful military operations under the direction of the Shah sealed the collapse of the Soviet-supported puppet regime in Azerbaijan and gave a new lease on life to the army, whose image had been tarnished largely as a result of its fate during the Allied invasion. The monarchical control of the army, enshrined in the Iranian politico-military tradition and not actually severed by the Constitutional Revolution, had been firmly established by Riza Shah who, for all practical purposes, created the modern Iranian army through the Iranianization, modernization, and professionalization of the traditionally motley forces headed by foreign officers. Riza Khan's firm control of the army had paved his way to power, and Muhammad Riza Shah's successful struggle with Iran's strong prime ministers over its control eventually ensured his supremacy in Iranian politics.

The most dramatic bid for control of the army was made by Dr. Muhammad Musaddiq, Iran's prime minister from 29 April 1951 to 19 August 1953 — except for a brief interruption between 17 and 22 July 1952, when the Shah appointed Ahmad Qavam as prime minister because he did not wish to grant Dr. Musaddiq's demand to serve as both minister of defense and prime minister. But once returned to the post of prime minister, as the result of street riots that forced the fall of the Qavam government, Dr. Musaddiq obtained from the Seventeenth Majlis the right to rule by decree for 6 months. According to his subsequent interpretation of the 9-Article law that gave him that "right," his powers over the "Ministry of National Defense" [Vizarat-e Difa-e Melli] were not confined to the modernization of the ministry's personnel laws but extended to "all its affairs."⁴¹ Armed with this law (which was later extended for another year), he gained control of the ministry of defense, purged officers whom he apparently believed to be loyal to the king, unsuccessfully requested the Shah to leave the country, engineered an abortive report by a so-called "Committee of Eight" for stripping the Shah of his powers as the commander-in-chief with the approval of the Majlis, and staged the referendum of 25 July 1953 to dissolve the Majlis. None of these acts aimed at the destruction of the monarch; they were to limit the powers of the Shah. Whatever inroads Dr. Musaddiq might have been able to make on the Shah's control of the army, the fateful events of 13 to 19 August 1953 revealed that the Shah still enjoyed a degree of support within the army. On 13 August he issued the historic dismissal "order" [dastkhat] to Dr. Musaddiq and appointed Gen Fazlullah Zahedi as prime minister, but Dr. Musaddiq's refusal to abide by the Shah's decree and the arrest of Col Ni'matullah Nasiri (the bearer of the Shah's order to Dr. Musaddiq) by Gen Riahi, Musaddiq's chief of staff, resulted in a showdown between the opposing forces.⁴² A tank battle between the supporters of Dr. Musaddiq and the royalists resulted in the destruction of Musaddiq's house and the final collapse of his tumultuous regime.

The Shah's regime celebrates this momentous date, 19 August 1953 [bist-o hasht-e Mordad], which marked the beginning of his successful climb to the position of supreme power in the Iranian polity. Despite the discovery of a huge communist network within the army in 1954, the

disclosure of a plot in 1958 that led to the arrest of Gen Vali-e Qarani, and an unsuccessful attempt against the Shah's own life by a member of the Imperial Guard in 1965, the army has remained loyal to the Shah and, together with the air force, the navy, and the more recently established National Iranian Security Organization (SAVAK), has formed the backbone of the regime of Muhammad Riza Shah. Although as early as 1942 an American military mission had been appointed to Iran and other advisers had been furnished to the police and the gendarmerie, the total US military aid to Iran was negligible before 1953. All US military aid to Iran in the 1946-1952 period amounted to a mere \$16.16 million, whereas in the 1953-1961 period it reached the level of \$436 million, and in the 1946-1968 period it totaled over \$1 billion.

By the early 1960's the Shah had established control over other institutions of government as well. The Majlis, which during the rule of Riza Shah had taken a back seat in the Iranian polity, generally showed vigor most of the time from the late Shah's abdication (1941) to the end of the Musaddiq regime (1953). Meanwhile, the Shah tried to reduce the power of the Majlis. After an attempt against his life (1949), he succeeded in amending the constitution to enable him to dissolve the parliament and for the first time to establish the senate, half of whose 60 members consisted of his own appointees. Since the Majlis traditionally was packed with powerful landowners, the Shah had found it an impediment to his long-cherished land reform program. Thus, when he was faced with the failure of the Mellian and Mardum parties to run parliamentary elections acceptable to him in 1960 and encountered mounting pro-Musaddiq demonstrations and a widespread teachers' strike in 1961, the Shah finally dissolved the Majlis, which was reopened only in 1964.

By the early 1960's the consolidation of the Shah's power had also affected the major sources of challenge to the monarchy. The Tudeh party, one of the major groups in the National Front, enjoyed unbridled freedom of action during the regime of Dr. Musaddiq, and in the fateful events of 13-19 August 1953 it made a bold attempt for control of the government.⁴³ The regime of Muhammad Riza Shah has suppressed the communists, as evidenced by the arrest of some 91 communist youth in 1953; the destruction of a huge communist network in the army in 1954; the

execution of Khrusrow Ruzbeh, a leading communist known as the "Lenin of Iran" in 1957; and the dispersion in 1961 of a vast and secret communist organization in Isfahan led by Dr. Kianury from exile in Austria.

The other major component of the National Front, i.e., the pro-Musaddiq faction, was also liquidated by the early 1960's. Although Dr. Musaddiq himself had been an old-timer in Iranian politics (he had been elected to the Third Majlis as early as 1951), the nucleus of his National Front consisted of some relative newcomers who had formed the Iran Party only in 1944.⁴⁴ In any event, the fall of his regime in 1953 and, particularly, the crisis of rigged elections in 1960-1961 provided the real opportunity for the termination of open activity by the pro-Musaddiq elements in Iranian politics.

Lastly, note must be taken of Muhammad Riza Shah's overcoming of clerical opposition. The role of the Shi'i clergy, the ulema, in Iranian politics is as old as the modern Iranian state itself, but the latest clerical upsurge against the central government occurred in June 1963 partly because the landed clergy felt threatened by the Shah's land reform measures.⁴⁵ The riots that broke out were also supported by some nationalist elements and resulted in bloodshed and the destruction of millions of dollars worth of public and private property; they were finally brought under control, and three of the major leaders of the opposition, after detention, promised not to interfere again in affairs of state.

THREAT OF ARAB REVOLUTION

The attention of contemporary Iran was drawn dramatically to the Persian Gulf in 1958 when the monarchy in Iraq was destroyed and the revolutionary regime of Abd al-Karim Qasim was established in its place. According to Professor Majid Khadduri this sudden and unexpected military uprising was a local manifestation of a larger revolutionary movement which began to spread in Arab lands after World War II and to affect Arab society in varying degrees of intensity and pervasiveness. The revolution might have appeared to the outside world as merely a military coup d'etat, but the events that precipitated it were rooted in

three forces: the revolutionary aspirations of the new generation for speedy modernization in the face of the old generation's failure; the disenchantment of the new generation with the policy and method of the old resulting in a power struggle between the two; and the negative attitude of the old regime to the pan-Arab movement after the formation of the United Arab Republic (UAR) in 1958.⁴⁶

The Shah's regime had watched the revolutionary political developments of the Arab Middle East with concern but not alarm before the Iraqi revolution. Iran had managed to maintain diplomatic relations with the Egyptian and Syrian revolutionary regimes as well as "conservative" Arab states; it had supported Egypt in the Suez crisis and had felt satisfied with the security of its position in the Gulf as long as Iraq had been its ally in the Baghdad Pact Organization. But the Iraqi revolution aroused fears that a similar fate might await the monarchy in Iran, that Iraq's subsequent defection from the Pact might expose the Shah's regime to the aspirations of Arab revolutionary states near and far, and that Iran's manifold and extensive interests in the Gulf as a whole might be jeopardized.

Iran's concern with the Arab revolutionary regimes was fully developed by 1968 when Britain announced the withdrawal of its forces from the Persian Gulf in 1971. The British decision aggravated Iran's fear of the Arab revolutionary threat to its interests in the Gulf as evidenced by the reemergence of the two major politico-strategic problems of the Shatt al-Arab and Bahrain in 1969. But before these old problems can be analyzed in the newer context of the Arab revolutionary ferment and the scheduled British withdrawal from the Gulf, several questions must be raised. What is the nature of the Arab revolutionary threat to Iranian interests in the Persian Gulf? Are there, in fact, reasons for the Iranian fear or does Iran imagine such a threat? Furthermore, what has been Iran's response to this real or imaginary threat? No certain way can be found at the present time to answer these questions partly because the Arab-Iranian cold war, like other cold wars, is replete with propagandistic exchanges and the recency of the contemporary Arab-Iranian conflict warps one's perspective. Basically the conflict is rooted in the divergent national-cultural ethos often

accompanied by the struggle for power that seems aggravated more recently by the emergence of different elites in Iran and the Arab revolutionary states.

Iran's conflict with Arab states in the Persian Gulf today is not a recent development. The power conflict between the Iranian and the Arabian sides of the Gulf was in full bloom in the fourth century, and intervening events have provided no real basis for political accommodation. Furthermore, modern nationalism among both the Arabs and Iranians has so far tended to aggravate rather than alleviate traditional attitudes of mutual contempt and mistrust. Arab nationalism is deeply rooted in Arab history and culture and reflects basically a desperate search for new Arab identity, but is little understood on the Iranian side of the Gulf. The Iranian national aspirations, on the other hand, are seldom appreciated by the Arab extremists who regard Iran as an "alien" power in the Persian Gulf.

Iran's conflict with Arab states in the Gulf has not been confined to the revolutionary regimes alone nor has it been caused solely by the assumed or real adverse implications of Arab revolution for the present Iranian regime. Iran's interests in the Gulf have in fact come into conflict with the nonrevolutionary Arab states as well. For example, when Iran opened up a large offshore area to international bidding for the exploration and exploitation of oil in the Persian Gulf, both Kuwait and Saudi Arabia asserted that the concessions granted infringed on continental-shelf areas that were rightly theirs.

However, the revolutionary fervor has exacerbated the conflict. Iran has been able to settle its conflicts with the nonrevolutionary Arab states amicably as evidenced by the settlements with Kuwait (1965), Saudi Arabia (1968), and Qatar (1969), despite the fact that the conflict with Saudi Arabia extended beyond the continental-shelf problem and comprised sovereign claims and counterclaims in regard to two islands in the Persian Gulf as well. But the conflict with revolutionary Iraq over the continental-shelf, the old problem of the Shatt al-Arab, and sundry other questions regarding the Iranian pilgrims to Iraq, the Iranian residents in Iraq, and the criss-crossing of the Kurds over the land boundary persist.

IRAN'S REACTION TO ARAB REVOLUTIONARY POLICIES

Considering the aggravating impact of the Arab revolution on the conflict, the Arab revolutionary perception and policies and Iran's reaction need examination. For Arab revolutionary nationalists the point of departure in contemporary history is the July 1952 revolution in Egypt.⁴⁷ The revolution marked the beginning of President Nasser's leadership during which the Arab nationalist movement has grown rapidly and the Arab "glorious past" has been restored. After the Anglo-Egyptian treaty of 1954 and the British evacuation from Arab soil, Western "colonialism" sought to divide the Arab world by pressuring Iraq into the Baghdad Pact. This attempt backfired when the Iraqi revolution of 1958 destroyed the chances of the British allies in Baghdad, although the West "encouraged" Qasim against Arabism. The breakdown of the UAR in 1961 is regarded as only a temporary setback for the cause of Arab unity, and Arab nationalism is considered to have been subsequently reinforced by Arab socialism to an even greater extent than previously.

Against the background of this interpretation of recent Arab history, an Arab policy maker expressed the following views of the interests of Arab revolutionary states in the Persian Gulf.⁴⁸ The "Arab Gulf" is of special significance to the present and future of the Arab Nation for a variety of reasons: its geographic location has "always made it the bridge that links Iraq and the eastern part of the Arabian Peninsula with India, Pakistan, Southeast Asia, the Far East and Europe." Strategically, the "Arab Gulf has played a principal part in various military events which have occurred in the Middle East" as evidenced by "Britain's attack" on Iraq during the two world wars and on the "Arab bases during the Suez Crisis from Bahrain and Sharjah." Moreover, "British and American bases no doubt present a threat to Arab nationalism and to the security of the Arab world in case of war with Israel." The same source also specifically mentions the importance of the Strait of Hormuz for "the defense of Iraq," attributes great value to Bahrain, Dubai, Kuwait, and Basra for Arab economic growth and trade, and singles out Bahrain's airport as "one of the most important airports in the world because it provides a link between Asia, Europe and Africa."

From the Iranian perspective these attitudes until recently posed serious threats to Iran's interests, and the principal source of threat was regarded to be the regime of President Nasser, which abruptly — and without any real justification, according to the Iranian viewpoint — broke diplomatic relations with Iran in 1960. (Efforts were launched, before President Nasser's death, to resume diplomatic relations and they were restored in the fall of 1970.)

Nasser's decision to break diplomatic relations with Iran occurred over the "alleged recognition" of Israel by Iran. In July 1960 the Shah, in reply to a question by a foreign correspondent about whether Iran had decided to recognize Israel, stated that "Iran had recognized Israel years ago." In an "alleged reaction" to this statement, President Nasser denounced the Shah in a speech at Alexandria, labeled the Iranian leaders as "colleagues of colonialists," boasted of Egypt's ability to "abolish them," and charged that the Shah had acted against Egypt in the Suez crisis. He also charged that the Shah had shown a "hostile attitude" toward Egypt, the Arab nations, and Arab nationalism since 1952. The attacks of Egyptian media were accompanied by attempts on the part of the Egyptian regime to discredit the Shah in the eyes of the Arab world. Egypt attempted, without success, to use the Arab League to bring pressure on other Arab countries to break diplomatic relations with Iran. It also sought to inflame religious sentiments against the Iranian regime and, simultaneously, to use these feelings to legitimize its diplomatic rupture with Iran. Sheikh Mahmoud Shaltout, leader of the world-famous al-Azhar University of Cairo, said in a telegram to the Shah that Iran's recognition of

...the Israeli gang has hurt our sentiment as well as the feelings of the ulema at Al-Azhar. We believe that the feelings of all Muslims in East and West have been equally injured. We consider this action contrary to the religious and cultural measures which we have taken for strengthening the brotherly relations amongst all Muslim peoples and which you have condoned. We should therefore hope you will reconsider⁴⁹ this grave decision for the purpose of Muslim unity.

Iran attempted to show the "unfoundedness" of President Nasser's assertion. The Shah, in his reply to Sheikh Shaltout; the Iranian

foreign ministry, in its explanations to Egypt and other Arab countries; and the Iranian press all stated that Iran had recognized Israel in 1950, the recognition had been de facto and had not been withdrawn during the regime of Dr. Musaddiq, as Egypt claimed, and no new decision had been taken to extend de jure recognition to Israel.

Nasser's action was received with surprise in Iran and elsewhere. The Shah believed the furor was probably a cover-up for Egypt's domestic social and economic problems. The semiofficial Iranian newspaper Ettela'at claimed that the regime in Egypt aimed at subjugating other Arab states, just as it had brought the Syrian regime under the hegemony of Cairo, and that Egypt eyed the vast Arab oil resources in the Persian Gulf for financing the propaganda apparatus of the Nasser regime. More specifically, it stated that one of the principal reasons underlying Egypt's dissatisfaction with Iran was the development of friendly relations between Iran and the Arab sheikhdoms in the Persian Gulf. These relations, Ettela'at continued, were "a thorn in the eyes of Nasser" who had from the inception of his regime tried to "colonize the Persian Gulf Sheikdoms without success."⁵⁰

After the diplomatic rupture with Iran, Egypt's policy toward the Persian Gulf began to emerge more clearly. The main instrument of the Egyptian policy in 1964-1965 was the Arab League. The secretary-general of the League sent personal messages to the rulers of Bahrain, Qatar, Dubai, Abu-Dhabi, Sharja, Oman, and other Persian Gulf sheikhdoms seeking their "cooperation with the Arab League for the general welfare of the area and the Arab Nation." On 13-14 July 1964, the "Commission of the Arab League to the Emirates of the Arab Gulf" met under the chairmanship of the secretary-general of the League to consider the report of the secretary-general's special envoy to the Persian Gulf and decided to launch its "plans of work."

The Egyptian-inspired "plans of work" in the Persian Gulf, however, became entangled in the affairs of the Trucial States. The account of the Sheikh of Sharja (one of the seven Trucial States), who was deposed as the result of his involvement in these affairs, sheds light on the role of Egypt in the Arab League's activities in the Persian Gulf.⁵¹

According to the testimony of the sheikh, in the winter of 1964 the Egyptian newspaper Al-Ahram charged that Iran had occupied the island of Abu-Musa. This news angered certain Arab governments, which were also alarmed by the rumor of mass immigration of Iranians to the Gulf sheikhdoms. The news about the "occupation of the island proved to be false," but the Arab League expressed serious interest in the whole problem and decided to extend aid to "the poverty-stricken Arab Sheikdoms." The British representative in the Persian Gulf came up with a counterproposal to establish what came to be known as the Development Fund for the Trucial Coast (DFTC). The British called a meeting of the Arab sheikhs and demanded that any Arab League assistance should be made to DFTC, considering the special British treaty relationship with the Arab sheikhdoms. Under the pressures and threats of the British, the testimony continued, the Trucial sheikhs rejected the Arab League offer of aid. But the Sheikh of Sharja claimed that he himself rejected the British demand to refuse Arab League aid and, as a result, the "British planned a plot to assassinate" him on the evening of 10 June 1965; the plot, however, failed.

The sheikh, who was deposed on 25 June 1965, blamed his misfortune on a "British colonialist plot"; traveled to the capitals of the Arab revolutionary regimes; promised, in Baghdad, to "struggle for the liberation of the Arab Gulf"; and arrived in Cairo where he received the personal support of President Nasser.⁵²

The sheikh's incident was further used for pursuing Egypt's Persian Gulf policies. Once again the Arab League was chosen as the appropriate instrument. On 5 July 1965 the "Permanent Committee of the Arab Gulf" held an extraordinary meeting in Cairo at the league's headquarters. The committee first discussed the British opposition to the Arab League aid to the Persian Gulf sheikhdoms that had led to the exile of the Sheikh of Sharja, the withdrawal of approval of Arab League assistance by the other Trucial sheikhs, and the prevention of the Technical Mission of the League to enter the Persian Gulf area in order to begin its work. The Committee made the following recommendations:

1. The League should reject the British proposal for Arab League assistance to the Trucial States through the medium of DFTC because the League program of

assistance is an Arab program and is "purely technical and unconditional," while the British opposition to it is contrary to "international procedures," is a barrier against the progress of the Arab region and is "an attempt to isolate it from the rest of the Arab world and to enable various foreign elements to penetrate it and to realize illegal ambitions."

2. The Arab Ministers of State and the Secretary-General of the League should remind the "British Ambassadors to the Arab Capitals of the dangerous consequences of the policy followed by the British Government in the Gulf...."
3. The Secretary-General should be authorized to work toward the strengthening of the joint Arab efforts in this respect.
4. The matter should be presented to the Committee of the Personal Representatives of Arab Kings and Presidents in preparation of a final draft for submission to the Third Summit Meeting.⁵³

Iran watched the 1964-1965 developments with alarm. The Iranian press publicized the Egyptian activities, particularly the visit of Mr. Hassounah, secretary-general of the Arab League, to the Persian Gulf. A sensational editorial entitled "What did Hassounah want in the Persian Gulf?" claimed that Mr. Hassounah had told the Persian Gulf Arab rulers that Iran wished to colonize the Arab sheikhdoms; Iran's influence in the Gulf was detrimental to the "Arab Nation"; Iran had armed its agents in the Gulf sheikhdoms for the opportune moment to rise against the Arabs; the fresh and dried fruits that Iran sold to the sheikhdoms were the products of Israel; Iran was the enemy of Arabism and Islam, therefore the Arabs of the Gulf should drive the Iranians into the sea, boycott Iranian products, and prepare for war with Iran — knowing that "the Leader Abd al-Nasser" is standing behind them. The editorial also claimed lavishly that plots were actually hatched "to massacre" Iranians in Dubai and Ajman at the time of the secretary-general's arrival in these Trucial sheikhdoms. Finally, in dramatizing the "danger" of these developments for Iran, the editorial propagandistically concluded:

These are real accounts indicative of the fire that the enemy is building for the destruction of part of our national heritage. These are examples of the

intrigues against the Iranians and Iranianism. These form a prelude to the destruction of Iran's influence in the Persian Gulf Sheikdoms, for the expulsion of the Iranian inhabitants from the Gulf islands and for the extension of Egyptian control over the entire Persian Gulf....⁵⁴

From the Iranian perspective, the Arab revolutionary threat to Iran took an even more ominous form when Iran's richest province on the Persian Gulf, as well as its overall interests in the Gulf, was subjected to Arab "expansionist ambitions." Khuzistan is the single most important province of Iran because of its strategic position, large oil reserves, and important oil installations. It is also one of the most revered historical sites of ancient Iran and, potentially, the single most important agricultural center of the nation.

In the Arab revolutionary view, Khuzistan, or "Arabistan," has been historically and demographically Arab. It was under Arab rule until the nineteenth century, when the Iranian-Ottoman rivalry over Arabistan was settled as the result of Russian-British intervention; the settlement gave the area to Iran, but in 1857 Nasser ed-Din Shah proclaimed, in a royal decree, "the independence of Arabistan under the rule of its Arab emirs." However, as the result of the campaign of Riza Khan, the "British henchman," Sheikh Khaz'al, was ousted from Arabistan, and thus its freedom was lost to Iran. From such a standpoint, the problems of Arabistan and Palestine are similar because the "Arabs in the two regions are living under a colonialist rule which has occupied their homeland without any legal or regional foundation, namely Zionist occupation and Iranian occupation."⁵⁵

The Arab-Iranian tension over Khuzistan was not confined merely to psychological warfare. On 11 December 1964, a Conference of Arab Jurists declared Khuzistan "an integral part of the Arab Homeland," and on 10 November 1965 the Ba'thist regime in Syria went on record, claiming the same. The Syrian cabinet declared that Khuzistan was part of the Arab nation, and, as a result, the Iranian government recalled its ambassador to Syria and closed its embassy in Damascus. Also, as a result of these statements, Iranian Prime Minister Abbas Hoveyda addressed the Iranian parliament on the same day that the Syrian cabinet made its

declaration. With the Syrian attitude toward Khuzistan in mind, he demanded that "we must particularly strengthen our air force, anti-aircraft weapons, and the imperial navy in the Persian Gulf."

ANCIENT PROBLEMS AND NEW CONTINGENCIES

In the postwar period the Shatt al-Arab and Bahrain have been Iran's two most important politico-strategic problems in the Persian Gulf. They are discussed here with a view to two new contingencies: (a) the emergence of Arab revolutionary attitudes and policies toward the Persian Gulf and (b) Britain's decision to withdraw its forces from the Persian Gulf in 1971.

Shatt al-Arab

Despite the "relocation" of the Abadan port facilities at Bandar Mah Shahr directly on the Persian Gulf, the Shatt al-Arab River continues to be of strategic as well as economic significance to Iran. Iran's enormous Khuzistan oilfields, its gigantic Dez Dam project, and the giant refining, tanker-loading, and petrochemical complexes in Abadan are all within reach of Iraqi artillery or planes; in fact, some of Abadan's most sensitive oil installations are within almost point-blank range of rifle or bazooka fire from the nearby Iraqi shore.

The most recent outburst of this ancient problem, however, proved to be the most explosive in the history of Irano-Iraqi relations for many complex reasons. The emergence of various revolutionary regimes in Iraq since the overthrow of the monarchy in 1958, the chronic political instability in Iraq, the worsening Arab-Israel conflict and inter-Arab rivalry, the Kurdish rebellion in Iraq, the increasing economic significance of the Shatt al-Arab River for both Iran and Iraq, the changing power position of the two countries, the increase of Soviet and American arms in the Gulf area, and, particularly, the British announcement of troop withdrawal in 1971 from the Persian Gulf have all contributed to the gravity of the Shatt al-Arab problem.

The recent crisis erupted on 15 April 1969. The Iraqi deputy foreign minister told the Iranian ambassador to Baghdad that the

government of Iraq "considers the Shatt al-Arab as an integral part of Iraqi territory" and demanded that vessels carrying the Iranian flag lower their flags before entering the Shatt al-Arab and no Iranian navy personnel be aboard ships entering the Shatt. He further warned that if these demands were not met, Iraq would use force and in the future would not allow vessels destined for Iranian ports to use the river. In response, the Iranian government declared on 19 April that the relevant 1937 treaty between Iran and Iraq governing the status of the Shatt al-Arab was null and void.

The Iranian position on the treaty had been made known to the government of Iraq previously. Iran had long taken the position that the treaty was invalid for three major reasons: First, Articles 4 and 5 of the treaty and Article 2 of the attached protocol, which called for arrangements for the joint administration of the Shatt al-Arab and the ways of spending the dues collected from navigation, had not been complied with since their inception. Iran claimed that contrary to these provisions Iraq had "monopolized" the administration of the Shatt during a period of some 30 years and had derived a large income from navigation. This income had been spent by the Basra Port Authority on building hotels and an airport in Basra instead of improving the river for purposes of navigation. Second, Iran argued that the treaty had been imposed on both Iran and Iraq by the British in 1937, but Iran no longer had to put up with such a treaty because of a change of circumstances. Hence, in addition to nonfulfillment, the doctrine of rebus sic stantibus [fundamental change of circumstances] entitled Iran, under international law, to declare the treaty null and void. The third and most important reason for Iran's dissatisfaction with the treaty was that with the exception of two areas, the whole of "the river had been handed to Iraq" by means of this treaty. This was contrary to the well-known principle of thalweg, which, under international law, provides for "dividing a frontier river into two equal sections between the neighboring states."

This crisis over the Shatt al-Arab was distinguished from the previous ones by Iraq's threat of force, Iran's mode of reaction, and the consequences of the crisis. Iran decided to take up Iraq's threat of force. On 22 April 1969 the Iranian freighter Ebne Sina, escorted

by the Iranian navy and covered under an umbrella of jet fighters, negotiated the disputed waterway into the Persian Gulf. The 1300-ton merchant ship was the first sizable vessel to pass through the Shatt al-Arab under the Iranian flag since Iraq claimed the border river as part of its territory. This small-power confrontation had its tense moments of near conflagration. An Iraqi navy motor launch approached the Ebne Sina near Fao at the mouth of the Shatt but was ordered to clear the way. The Iraqi vessel complied, and the Iranian merchant vessel entered the Roka Canal and then the Persian Gulf. The important precedent was thus established, and on 25 April another Iranian freighter, the Arya Far, carrying goods to Kuwait and Abu Dhabi and heavily escorted by Iranian navy gunboats, sailed through the Shatt al-Arab. This was considered in Iran as the second "Iranian ship to assert Iran's sovereign right" in the Shatt al-Arab. The practice continued in the following months and might in time constitute some kind of modus vivendi.

Restraint on the part of both Iraq and Iran averted the outbreak of an armed clash at the height of the crisis, but Iraq decided to retaliate. Unable to resort to arms, partly because of its troop commitments in Syria and Jordan and against the Kurdish uprisings in its own territory, Iraq chose another means. At the height of the crisis, according to Iranian sources, thousands of Iranian residents and pilgrims in Iraq were subjected to "mistreatment" by the Iraqi police. Many thousands poured into Iran and were lodged in temporary refugee camps in the border area. The magnitude and severity of the Iraqi retaliation, Iran claimed, prompted the Iranian Human Rights Committee to petition the UN secretary-general. The committee wrote that "refugees arriving in Iran report that the Iranian community is harassed by the Iraqi police. They report arbitrary arrest, detention, torture, and long interrogation. Many of the refugees carry on their bodies marks caused by torture." To substantiate these charges of "atrocities," the committee sent a film to the secretary-general and asked him to appoint a special representative to investigate the conditions of Iranian residents and pilgrims in Iraq, to address "an urgent request to the Government of Iraq to immediately rescind all measures contrary to the civilized standards of conduct," to request the Iraqi government to take

immediate measures to reunite scattered families and compensate them for their property losses, and to bring the petition to the attention of the members of the Security Council, the Commission on Human Rights, the Economic and Social Council, and the Sub-Commission on Prevention of Discrimination and Protection of Minorities.⁵⁶

Once again it became clear that the Shatt al-Arab problem is tied to a host of other problems, including the protection of the status of Iranian residents and pilgrims in Iraq and the other Persian Gulf states, islands, and sheikhdoms. These problems continue; however, Iran has repeatedly declared its preparedness to negotiate a new treaty with Iraq, to submit its dispute with Iraq to the International Court of Justice, and to welcome the good offices of friendly states.

Bahrain

The other major political problem facing Iran in the Persian Gulf until early 1970 was the status of Bahrain. Iran asserted its claim to Bahrain on two occasions in the postwar period. First, it demanded during the oil nationalization crisis that the Oil Nationalization Laws passed unanimously by the Parliament in 1951 be applied to the Bahrain Petroleum Company, Ltd. (BAPCO), jointly owned by the Standard Oil of California (SOCAL) and the Texas Company, on the grounds that the Bahrain Islands formed a part of Iranian territory. Second, subsequent to the oil nationalization crisis, the Iranian council of ministers, in the presence of the Shah, approved for submission to the Majlis a bill that clearly indicated the continuity of Iran's claim. In its meeting on 12 November 1957, the council of ministers divided the country into 14 political divisions, including Bahrain as the fourteenth Iranian province. From the Iranian perspective this decision — also introduced in a bill to the Majlis — simply designated Bahrain as a separate Iranian province, no longer attached to the province of Fars. This decision, received with jubilation in Iran, produced protest from the British press and government. Moreover, the Arabs expressed dissatisfaction with the Iranian position. In a speech to the Majlis in reply to the British government's remarks in the House of Commons, the Iranian foreign minister stated that from the late eighteenth century Iranian sovereign rights in Bahrain had not been based merely on claims.

"In fact, and for all practical purposes, Iran ruled in Bahrain, and the Sheiks considered themselves as tributary to the Iranian Government whenever they were free and the central Government was strong." In addressing himself to the Arab protest, the foreign minister declared: "Our Arab brothers should know that Bahrain is part of our body and the question of Bahrain is of vital interest to Iran...."⁵⁷

Iran's real interest in Bahrain today, however, is perceived more in political and strategic rather than historical and territorial terms. Probably this significant change in Iran's perception of its interests in light of the new circumstances more than other factors contributed to the settlement of this ancient problem in 1970. At the base of its strategic significance for Iran lies Bahrain's close geographic relationship to the Trucial Coast, Qatar, and Musqat and Oman. Most of these areas are located on the west bank of the Persian Gulf and are of particular importance in relation to the strategic Strait of Hormuz. The Iranian shore stretches on the east side of the narrow strait, and Iran claims the islands of Abu Musa and two small islands (the Tumbs) in the strait that, in the Arab and British view, belong respectively to Sharja and Ras al Khaima, two of the Trucial sheikhdoms. From the Iranian standpoint, security of the strait largely depends not only on Iran's power position but also on the attitudes of the regimes on the west side of the strait.

Bahrain's strategic significance for Iran increased in the 1960's. Iran watched with great alarm the Arab revolutionary activities in the Trucial Coast in 1964-1965, but the British presence in the Trucial Coast and Aden tempered Iran's fear of Arab revolutionary ambitions. The establishment of the People's Republic of Southern Yemen (PRSY) in November 1967 caused much concern because it seemed to the Iranians to threaten the approach to the Persian Gulf and the Strait of Hormuz. The Egyptian intervention in Yemen might have contributed to the eventual termination of the British rule in Aden, despite the failure of the Egyptian-backed faction (Front for the Liberation of Occupied South Yemen [FLOSY]) to take over the actual control of government from Great Britain. Qahtan al-Sha'abi, the leader of the triumphant National Liberation Front (NLF), showed no sign of willingness to make the South

Yemen republic a tail of the Egyptian kite, but the new Arab state surpassed the zeal of most other Arab revolutionary states. The new republic is opposed to Iran as well as all "reactionary" Arab states of the Persian Gulf. It is committed to the liberation of the "occupied areas of the Arab Gulf" and attracted to the new oilfields of Musqat and Oman as well as the fortunes of the oil-rich sheikhdoms of Abu Dhabi and Bahrain. The numerous border disputes, continental-shelf claims and counterclaims, and historical and territorial claims to islands and coastal areas in the Gulf, particularly in and around the strategic Strait of Hormuz, seem to provide the most fertile ground for gains by the revolutionary extremists.

The announcement of withdrawal of British troops further increased the strategic interest of Iran in the Bahrain archipelago. Bahrain became a British strongpoint east of Suez after Aden achieved independence. The British navy protected the freedom of navigation in the Persian Gulf for some 150 years. No matter how unpalatable to the Iranians, the fact remains that in the absence of a powerful Iran the British presence in the Gulf had been for long a blessing in disguise. The British decision to withdraw from the Gulf at a time when Arab revolutionary regimes were spreading to the Gulf and finding numerous supporters in Bahrain, Kuwait, and the Trucial sheikhdoms and beyond put the problem of Bahrain in quite a new light.

The paramount question was the power situation in the Gulf after the British departure. The Bahrain problem thus became tied with the future of the Trucial States and Qatar. The initial reaction of the Sheikh of Bahrain to the British decision was unfavorable; he resented the sudden disappearance of the British from the area because it presented a serious defense problem and because Iran's claim to Bahrain posed a threat to the island. The problem of the future of Bahrain was therefore considered in the context of the general defense and security problem of the Trucial States and Qatar, and the idea emerged that Bahrain could become a member of an Arab federation, consisting of the seven Trucial sheikhdoms and Qatar.

Iran's reaction to such a federation was not unexpected. Contrary to all Arab states, "progressive" as well as "reactionary," Iran opposed the formation of such a federation. On 8 July 1968, the Iranian foreign

ministry released a strongly worded communique, stating that "the creation of a so-called confederation of Persian Gulf emirates embracing the Bahrain islands is absolutely unacceptable to Iran." The Shah himself denounced the federation as nothing but a colonialist and imperialist manipulation and an attempt by the British to return by the back door and warned that Iran would take strong action to safeguard its historical interests and territorial rights if they were ignored.⁵⁸

The seriousness with which Iran seemed to view its claim to Bahrain was also manifested in the cancellation of the Shah's state visit to the hitherto friendly monarchy of Saudi Arabia in early 1968. In an interview with a correspondent of the Christian Science Monitor the Iranian undersecretary for foreign affairs, Dr. Abbas Khalatbary, explained the reason for the cancellation. A few days before the Shah was due to go to Saudi Arabia, "the ruler of Bahrain was royally received there." Saudi Arabia announced full support to Bahrain, and there was talk of a new 12-mile bridge to link Bahrain to Saudi Arabia. "It was apparently hoped in Riyadh," Dr. Khalatbary continued, "that His Majesty the Shah's visit would be tacit approval of this. Naturally, we had to call it off."⁵⁹ The Egyptian newspaper Al-Ahram indicated that the cancellation of the visit had been the result of Saudi Arabia's stand against "Iran's ambitions in Bahrain" and claimed that Kuwaiti sources had announced that an

...agreement had been reached between Saudi Arabia and Bahrain for the construction of the 12-mile bridge as part of the defense arrangements which the two countries will take after the withdrawal of British forces from the area before 1971. The bridge building aims at thwarting any attempt by Iran against Bahrain.⁶⁰

Egypt moved swiftly to use the momentary rift between Iran and Saudi Arabia for its own policy goals in the Persian Gulf. "Revolutionary" Cairo hailed "reactionary" Riyadh for its position toward Iran over Bahrain. The government of the UAR informed Saudi Arabia that it "completely supports any step taken by the King for preservation of Arabism and the independence of Emirates of the Arab Gulf." In the opinion of the UAR, which Cairo claimed to be shared by Kuwait and Iraq, "Saudi Arabia has a special nationalistic responsibility in the Arabian

Peninsula and that all Arab States are willing to support her completely in any stand she may take to preserve the independence and the Arab character of the Gulf."⁶⁰

The brief setback in relations with Saudi Arabia over Bahrain, however, did not deter Iran from seeking accommodations with Saudi Arabia. The "historical" claim to Bahrain aside, Iran realized the overriding significance of the strategic problem concerning the whole Persian Gulf in view of the imminence of the British withdrawal. Accommodation with the largest Arab state in the Persian Gulf seemed essential for the preservation of Iran's greater interests. For this reason, Iran moved swiftly to pave the way toward closer cooperation with Saudi Arabia.

The first significant step was taken on 24 October 1968, when Iran and Saudi Arabia resolved their long-standing conflict over the continental shelf in the Persian Gulf. Iran and Saudi Arabia had granted concessions to two oil companies for the exploration and exploitation of oil resources under the seabed in the Persian Gulf. The interests of the two countries overlapped, and the underdeveloped rules of international law provided little guidance for the settlement of differences, except that a median line could be drawn. But how was this line to be drawn? What was to be taken as the baseline? The inclusion or exclusion of Kharg Island would make a difference: its inclusion would mean that its baseline rather than that of the Iranian mainland would form the basis for drawing the median. After years of negotiation, Iran and Saudi Arabia initialed an agreement in 1965 containing an important compromise between Iran's demand for "full-effect" status for Kharg Island (which would have pushed the median line closer to Saudi Arabia) and Saudi insistence on a shore-to-shore median line with "no effect" for Kharg. Although the issue was settled by according Kharg Island "half-way" status, neither country ratified the draft.

The 24 October agreement, however, not only resolved the median line problem but also contained the settlement of a related problem. The disputed area of oil drilling in the Persian Gulf contained the islands of Farsi and Arabi. Sovereignty over these islands was also disputed and had to be settled before drawing the median line. Under the agreement, Iranian sovereignty over the island of Farsi and Saudi sovereignty over the island of Arabi were recognized. Each island was to have territorial

waters extending 12 miles from the low-water mark. Where the territorial waters of the two islands overlap, the median line would run halfway between the territorial waters of the two islands. Far more significant than the compromise solution and the interesting precedent of the case for international lawyers was the imaginative decision of Iran and Saudi Arabia to share, in effect, an enormous seabed oil resource in the Persian Gulf.

Future analysts may tell that the probable impact of this settlement on the Bahrain question was even more significant. There is no evidence at the present time to suggest a direct relationship between this settlement and the historic announcement of the Shah regarding Bahrain. But it was universally believed in Iran that the settlement of the continental-shelf differences would pave the way for tackling other problems in view of the imminence of the British withdrawal from the Persian Gulf. This settlement was followed by the Shah's visit to Saudi Arabia, the cancellation of which had caused jubilation in Cairo earlier. What was decided during this visit cannot be known at the present time, but the fact that the Shah's visit occurred right after the settlement of the continental-shelf differences and his statement on Bahrain came shortly after that visit may have some significance for future analysts in assessing the immediate factors underlying the Shah's historic statement of policy on Bahrain.

On 4 January 1969, at a press conference in New Delhi, the Shah declared that "if the people of Bahrain do not want to join my country" Iran will withdraw its territorial claims to the Persian Gulf island. He said Iran would accept the will of the people in Bahrain if this was recognized internationally. He insisted Iran was against the use of force to achieve territorial gains. Asked if he was proposing a public vote or referendum in Bahrain, the Shah replied: "I don't want to go into details on this question at the present time. But any means that can show the will of the people of Bahrain in a manner that can be officially recognized by you and us and the whole world will be good."⁶¹ Bahrain, the Shah said, was separated from Iran 150 years ago by the British who were now leaving the Persian Gulf area voluntarily. But the British could not give what they took from Iran to someone else without

Iran's consent. Nor would Iran attempt to occupy the island by force against the will of its people when the British leave. Such a course would be unintelligent.

While this realistic policy decision still awaited implementation in early 1970, the Shah clarified his intentions. In an interview some 9 months after the New Delhi statement, the Shah continued to call for a plebiscite or some other test of opinion in Bahrain. He stated categorically: "We have gone as far as we can. Some test of the will of the people is essential. We do not stipulate any particular form of vote, but leave that to the United Nations." He also warned that if Bahrain became a member of the proposed Arab federation, Iran would refuse to recognize the federation. "If Bahrain becomes an independent State, we shall not recognize it, and if it is admitted to the United Nations we shall leave. The U.N. could choose whether to have us or Bahrain."⁶² By his reference to Bahrain's "independence," it is believed that the Shah meant to make it plain that if the British tried to grant independence on departure, it would not be acceptable to Iran. Iran would insist that the question whether Bahrain would become an independent state, unite with Iran, or join the Arab federation must be determined by ascertaining the will of the Bahrainis. The best evidence for this interpretation was Iran's reaction on the occasion of the election of the first president of the FAA. The long discussions regarding the membership of the federation, which have revolved around the inclusion or exclusion of Bahrain as a member, apparently had been concluded by including the disputed island. Iran's foreign minister reiterated the position of Iran, stating that as long as "the future status of Bahrain has not been made clear in a legal way and in accordance with the correct rules and practices in international affairs such federation would under no circumstances be acceptable to Iran."⁶³

The Shah's momentous policy statement of 4 January 1969 at New Delhi was followed by discussions with Great Britain and the secretary-general of the UN, leading finally to the dramatic settlement of the Bahrain problem in the spring of 1970. (The full text of the relevant UN documents in regard to the settlement of the Bahrain dispute are

provided in Appendixes A, B, and C. The following discussion and quotations are drawn from those documents.)

On 9 March 1970 Iran formally requested the good offices of the UN secretary-general "with a view to ascertaining the true wishes of the people of Bahrain...by appointing a Personal Representative to carry out this mission." On 20 March 1970 Great Britain communicated its formal acceptance of "the proposal of the Imperial Government of Iran" in regard to Bahrain to the secretary-general, who on the same day advised Iran and Great Britain "that he would proceed without delay to exercise his good offices." He "designated Mr. Vittoria Winspeare Guicciardi, Under-Secretary-General and the Director-General of the United Nations Office at Geneva, to be his Personal Representative in ascertaining the wishes of the people of Bahrain"; he gave credit to Iran and Great Britain "for the constructive and statesmanlike manner" with which they had dealt with the problem and commended both countries for willingness "to rely upon his judgment by leaving it entirely to him to decide upon the method to be employed in fulfilling the purpose of his good offices."

The secretary-general's personal representative headed a mission of five secretariat members to Bahrain from 29 March to 18 April 1970, and the findings and the conclusion of his mission were submitted in a report to the secretary-general as the basis for settlement of the dispute. The mission found that the people of Bahrain appreciated the request of Iran and Great Britain for the UN's exercise of good offices; showed no bitterness or hostility toward Iran; hoped that "the cloud of the Iranian claim would be removed once and for all"; expected closer relations with other Gulf states, including Iran, after the settlement; "virtually unanimously" wanted a "fully independent sovereign State"; and the great majority felt it should be an Arab state. The mission also found very interesting nuances in the views held by the urban and rural populations, those of Iranian descent, highly educated Bahrainis, and other groups, but these were marginal to the fundamental conclusion of the mission. Mr. Guicciardi, the head of the mission, concluded his report to the secretary-general of the UN by stating that his consultations in Bahrain "convinced [him] that the overwhelming majority of the people of Bahrain wish to gain

recognition of their identity in a fully independent and sovereign State free to decide for itself its relations with other States."

In requesting the secretary-general's good offices in its letter of 9 March Iran had stipulated, inter alia, that it would "accept the results of your findings, after and subject to their endorsement by the Security Council of the United Nations." On 30 April the Security Council endorsed the report and welcomed its conclusions and findings, and in May Iran took symbolic actions in order to indicate its acceptance of the Bahrain settlement. A resolution, identical to the Security Council's resolution, was introduced to the Majlis and the senate; the former approved the action of the government by 184 votes to 4, and all 60 members of the senate voted in its favor. The opposition in the Majlis had been voiced from the outset by the Pan-Iranist faction. Prime Minister Hoveyda accused the Pan-Iranists, led by Mohsen Pezeshkpur, of "sophism," and, once the Majlis overwhelmingly approved the action of the Shah's government, he thanked it and said that "a new page has been opened in the history of our international relations." The Iranian government also signified its acceptance of the settlement to Sheikh Issa ben al-Khalifa, the ruler of Bahrain, by dispatching a goodwill mission to the island in May, after the approval of the Majlis. The sheikh thanked Mr. Manuchehr Zelli, political under-secretary of the foreign ministry: "My people are grateful to your wise and esteemed leader, His Imperial Majesty the Shahanshah." It was also reported at the time that trade and tourism between the two countries would be increased and a direct air link established.

More important, the settlement seemed to bode well for the future of the Gulf in removing this major obstacle to the formation of the FAA, including Bahrain, Qatar, and the seven Trucial States. Soon after the Bahrain settlement, it was also reported that Iran reasserted its "sovereignty" over the small islands of Abu-Musa, Tumb, and Tumb-e Mar. (The three islands are located as follows: Abu-Musa, with a population of only 250 people, is about 50 km east of Sirri, and the two Tumbs are located about 50 km south of the Iranian port of Lingeh.) Iran's reassertion of sovereignty over these islands, as well as its conciliatory policy in regard to Bahrain, are tied to its

overriding strategic interest in the Strait of Hormuz and the overall problem of security of the Gulf.

Chapter 3

ECONOMIC INTERESTS

Iran's contemporary policy in the Persian Gulf is no mere reflection of the conjunction of domestic and external political considerations.⁶⁴ As a rapidly modernizing nation Iran's "vital interests" in the Gulf extend beyond the safety of the existing regime vis-à-vis the perceived threat of Arab revolution and the historical desire to extend Iranian influence into the Gulf. Iran's contemporary interests in the Gulf are also rooted in extensive and manifold economic stakes.

OIL INTEREST

Economically, the most important factor underlying Iran's interest in the Gulf is oil. The development of the oil industry in Iran since 1908, the exploration and exploitation of oil in the continental shelf of the Gulf since 1957, and the more recent development of the sister petrochemical industry have all added greatly to the economic significance of the Gulf for Iran. Before the discovery of oil in Khuzistan, Iran's interest in the Gulf was largely a reflection of its historical, territorial, and political stakes. With the emergence of oil as the single most important source of revenue for the country, southwest Iran became an object of particular economic interest. Riza Shah cancelled the 1901 D'Arcy concession in 1932 primarily to increase oil revenues and concluded a more beneficial concessionary agreement in 1933.

By 1951, however, the Anglo-Iranian Oil Company (AIOC) became the primary target of nationalist self-assertion, and the 1933 oil concession was regarded inadequate as a basis for financing socioeconomic

development. After much political agitation, the nationalization of the oil industry was adopted as the satisfactory formula in March 1951, but, after the failure of Dr. Musaddiq's oil policy and the fall of his regime in 1953, a new oil agreement was concluded in 1954 between the government of the Shah and an international oil consortium, including largely American and British interests. This agreement drastically changed the role of Iran in the oil industry; it became an active participant in the development of the oil industry after half a century of being an interested bystander.

This unprecedented involvement of the Iranian government in the oil industry is effected through the medium of the National Iranian Oil Company (NIOC), which found its origin in the nationalization laws of 1951. The consortium enjoys the rights of exploring, refining, and related operations on behalf of the NIOC in the agreement area through two operating companies, but the NIOC is the owner of the fixed assets. The NIOC also provides support services, enjoys the right of inspecting the activities of the two companies, and represents Iran on the boards of both companies.

The enactment of the new petroleum law on 29 July 1957 marked the beginning of a significant development in the Iranian oil interest in the Persian Gulf.⁶⁵ Before that year Iran's direct interest in the oil industry had been confined to oil operations on land, most significantly on the Iranian territory adjoining the Persian Gulf. The law of 1957 provided the basis for the extension of Iran's oil operations into the continental-shelf of the Persian Gulf as well. The first three agreements concluded pursuant to this law created unprecedented partnerships between the NIOC and several foreign oil corporations, including the Italian Agip Mineraria, the Iran Pan American Oil Company (IPAC), and the Canadian Sapphire Petroleum Ltd. These extensions of Iran's oil interest into Persian Gulf waters have been paralleled by similar policies on the part of the Arab states of the Persian Gulf, and disputes have arisen between these states and Iran in certain segments of the Gulf.

Iran's oil interest in the Persian Gulf underwent even greater expansion in the 1960's. The NIOC invited offers for offshore areas in District 1 in 1964, and the five successful bidders — including

American, British, Dutch, Italian, French, Spanish, and Indian interests — concluded three agreements with NIOC in 1965.⁶⁶ The partnership of the NIOC with these five groups created the Iranian Marine International Oil Company (IMINOCO), the Lavan Petroleum Company (LAPCO), the Iranian Offshore Petroleum Company (IROPCO), the Dashtestan Offshore Petroleum Company (DOPCO), and the Farsi Petroleum Company (FPCO). One of the most important features of the new Gulf oil agreements, according to Dr. Iqbal, director of the NIOC, has been the acceptance of the principle of "75-25" profit-sharing as contrasted with the "50-50" principle in the 1957-1959 agreements, which represents a substantial revenue gain for Iran. Moreover, some 10 groups participated in the seismic survey that cost the foreign companies, rather than the NIOC, some \$3.6 million. A sixth German group was also added to the joint companies in 1965, and as a result the Persian Gulf Oil Company (PEGUPCO) was created. The NIOC received some \$190 million bonus money from these six companies, which, together with the NIOC, will eventually invest many millions of dollars in search of additional oil resources in the Gulf.

Oil on Land and Offshore

Proved oil reserves of Iran are among the highest in the Gulf area. According to the published 1966 estimate Iran's reserves amounted to some 11.4 percent of the world total. This placed Iran among the top three Gulf states, after Kuwait with 17.7 percent and Saudi Arabia with 17.0 percent. Other significant reserves were those of Iraq, 6.1 percent, and the Neutral Zone, 3.3 percent. These figures are not broken down to distinguish between oil reserves on shore and those in the Gulf, but the onshore-offshore distinction is not essential to indicate the real significance of the reserves, and hence the Gulf, for Iran. It is possible that oil may be found in northern Iran and the Caspian Sea, but so far the Gulf area reserves have been of the greatest significance for the country and will probably continue so in the future.

Iran's production of crude oil in comparison with the other leading Gulf producers is probably a better indicator of Iran's oil interest in the Gulf than the magnitude of its proved reserve. Before the nationalization of the oil industry in 1951, Iran was the leading producer in the Gulf area (see Table 1); in 1948 and 1950 it led Saudi Arabia,

Table 1

Crude Oil Production of Leading Persian Gulf Producers:
1948, 1950-1953, and 1963-1968
(In thousands of metric tons)

Country	1948	1950	1951	1952	1953	1963	1964	1965	1966	1967	1968
Iran	25,270	32,259	16,844	1,348	1,366	72,830	84,250	93,820	105,220	129,345	141,990
Saudi Arabia	19,260	26,924	37,476	40,698	41,566	81,140	85,720	100,950	119,380	129,594	141,580
Kuwait	6,400	17,291	28,327	37,631	42,654	97,200	106,390	108,730	114,040	115,203	122,000
Iraq	3,427	6,479	8,690	18,850	28,200	56,670	61,520	64,360	67,950	60,085	73,990

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Source: United Nations, Summary of Recent Economic Development in the Middle East, 1952-1953, p 47; The Middle East and North Africa 1966-1967, 13th ed, Europa Publications Limited, London, 1966, p 59; The Middle East and North Africa 1967-1968, 14th ed, Europa Publications Limited, London, p 42; The Middle East and North Africa 1969-1970, 16th ed, Europa Publications Limited, London, 1969, p 40.

Kuwait, and Iraq. But the nationalization of the oil industry placed Iran at a great disadvantage, from which it has only significantly recovered in recent years. In 1952 and 1953, the country sank to the rank of the lowest producer from its prenationalization leading position; by the early 1960's, it was vigorously competing with Saudi Arabia and Kuwait and had left Iraq behind shortly after the end of the nationalization crisis. By the late 1960's Iran was no longer satisfied merely with recovering from the lean production years; it was vigorously bidding for the position of the leading producer of oil in the entire Middle East. During the first 11 months of 1969 Iranian production registered at 3,355,640 barrels a day and Saudi Arabia at 3,215,500, representing 18.6 percent increase for Iran over the first 11 months of 1968 compared with only 5.3 percent increase for Saudi Arabia.⁶⁷

Iran's position in crude oil production reflects its expanding oil operations on and off the shore of the Persian Gulf. The total production⁶⁸ increased from 73.690 million tons in 1963 to 129.809 million in 1967, an annual average increase of 14.5 percent. Offshore production compared unfavorably with the production of crude in the agreement area adjacent to the Persian Gulf, but oil operations in the Gulf shelf are a recent development, and the production from the seabed will increase rapidly as the six new groups begin to produce oil in commercial quantities. At the present time the lion's share of production in the Gulf shelf goes to IPAC, whose modest 14,000-mt production in 1963 shot up to 5.108 million in 1967, an increase of 229.1 percent.

Iran's interest in the Persian Gulf through its oil industry extends beyond the location of its major reserves and crude oil production centers in and adjacent to the Gulf. Until the end of WWII the Abadan oil refinery, located on Iranian soil on the Shatt al-Arab, was the world's largest refinery. Even today it is one of the largest refineries in the world and still is the largest in the Gulf area. Each day some 400,000 barrels of crude oil converge on Abadan through two major trunk-line systems that connect the refinery with more than a dozen major oilfields. In the past nine years alone, some \$250 million has been invested in the improvement of the giant refinery, which has a storage capacity of over 21 million barrels of oil products. More

significantly, as a result of the creation of an elaborate and modern system connecting the refinery to Bandar Mah Shahr on the Persian Gulf,⁶⁹ the refinery is now, for all practical purposes, located directly on the Persian Gulf rather than indirectly connected through the Shatt al-Arab. Only one-third of the refinery products are used for domestic consumption; the bulk of the products, including aviation gasoline, motor gasoline, jet fuel, solvents, kerosene, gas, and oil, is exported.

Oil Transport

The economic significance of the Persian Gulf for Iran also derives from the transport of the bulk of Iran's crude oil and petroleum products to world markets through the Gulf. Until 1967 most of Iran's crude oil was exported to Western Europe, but in that year Japan and other Asian countries imported most of Iran's crude: Western Europe bought 41.0 percent of the total crude oil export, Japan 37.4 and other Asian countries 9.2. The export of crude oil by the consortium to Japan and other Asian countries showed an increase of 51 and 26 percent respectively as compared with 1966. Japan, Asian countries other than Japan, and Africa accounted for 82 percent of the total exports of Iran. Regardless of shifts in the geographic distribution of the Iranian export of crude oil and petroleum products and increase in domestic consumption, the Persian Gulf will continue to be the main artery for Iran's access to world oil markets in Asia, Western Europe, and Africa.⁶⁸

The ever-increasing export of oil and petroleum products and the use of ever-larger tankers have in recent years added new significance to the Iranian ports and islands in the Persian Gulf. For nearly half a century oil products were shipped from the Abadan port down the 42-mile channel of the Shatt al-Arab to the mouth of the Gulf and world markets. But in the postwar era, the failure of the river port to handle loading efficiently — the size of tankers larger than 16,000 dwt presented difficulties in the narrow channel with its unfavorable tidal conditions — and the behavior of the Iraqi revolutionary regime prompted Iran to shift the functions of the Abadan port to Mah Shahr on the Khor Musa inlet. Although Iran's major navigable river, the Karun, used to flow into the Khor Musa inlet on the Persian Gulf, a change in the flow of the river cut off the Khor Musa from a navigable hinterland.

The utility of Khor Musa, however, as a deep tidal inlet at the head of the Persian Gulf did not diminish, as tankers of up to some 50,000 dwt can maneuver in the channel and berth at Bandar Mah Shahr's six jetties. This oil terminal — originally developed in the early 1940's to handle the crude oil exported from the huge Agha Jari fields, 100 miles inland in the foothills of the lower Zagros Mountains — has been converted into the most modern oil-products port in the oil industry. Through the expenditure of some \$50 million in the 1950's and the use of electronic control systems, thermal and pumping stations, pipelines, and tank farms, Bandar Mah Shahr has for all practical purposes replaced the Abadan port as the leading port for Iranian export of oil products. Some 38 oil products of the Abadan refinery are now transferred regularly 67 miles overland to Bandar Mah Shahr for export.⁶⁹

Even more important are the oil export facilities recently created on the Iranian islands of the Persian Gulf. The best example is the small coral Kharg Island, some 25 miles off the mainland. The island was of little significance until the expansion of the oil industry on the shore and in the waters of the Persian Gulf in the past decade made it the world's largest oil export terminal — a magnificent engineering feat and a symbol of Iran's modernity. Iran's chief oilfields are connected with the island terminal through four 30-in. diameter pipelines laid along the sea bottom. The landline that starts at Agha Jari oil-field and runs some 106 miles to the Persian Gulf is one of the world's largest crude oil delivery lines, an enormous 42 in. in diameter, capable of delivering over a million barrels of crude per day. Kharg Island receives the crude oil in a large tank farm where 19 tanks with a huge capacity of 7.676 million barrels are located. The storage capacity of the island is matched by its 6000-ft-long jetty with 10 berths that can accommodate the largest supertankers that may be built in this century. The crude oil that arrives in the tank farm can be loaded at the rate of over 10,000 tons per hour.^{9, 70}

Oil Revenue and Economic Development

The Persian Gulf is of vital significance to Iran because the oil industry is the backbone of Iran's overall economy; the industrialization of the country, the modernization of its socioeconomic structures,

and its hope for better standards of living hinge on the continuing success of the oil industry.⁷¹

The financing of Iran's economic development plans depends on oil income. Oil revenue was expected to provide 37 percent of the total funds for the implementation of the First Seven-Year Plan (1948-1955), but this did not materialize because of the near stoppage in oil income during the nationalization crisis. In the Second Seven-Year Plan (1955-1962) over 50 percent of the total oil revenues went to the Plan Organization in the first 2 years and over 70 percent in the remaining years. By 1966 about 75 percent of the total oil revenues became the share of the Plan Organization, which will receive 80 percent of the oil revenues during the current Fourth Development Plan, in effect over the next 5 years. This new plan calls for a total investment of some \$11 billion, as compared with \$3 billion under the Third Plan (1962-1967), with emphasis on basic industries — iron and steel, aluminum, and petrochemicals. The Fourth Plan aims to reduce the dependence of the economy on oil revenues, minimize imports, and diversify exports through emphasizing industrialization. Until this goal is achieved, however, the country will depend largely on oil revenues for its economic development.

Another beneficial impact of the oil industry on the Iranian economy is the provision of foreign exchange. This is furnished in three principal ways. The most important, of course, are the oil revenues themselves — the single most important source of Iran's foreign exchange. Second, the oil industry brings Iran large sums of foreign exchange for local salary payments, customs duties, and other expenses; in 1966 the amounts thus brought into the country accounted for 10 percent of Iran's total foreign exchange earnings. Such earnings together with the oil revenues have constituted an average of 60 percent per year of Iran's foreign exchange earnings in the past 10 years or so and in some years they have been as high as 86 percent. Third, since 1957 Iran has earned large sums of foreign exchange as bonus money from the oil companies operating in the Persian Gulf.

Recently, the oil industry has assisted Iran in yet another way. Iran has used its share of oil from the Persian Gulf offshore resources

as barter for capital goods for the country's industrialization purposes; it has entered in recent years into barter agreements for the sale of oil with such countries as Argentina, Switzerland, Italy, and India and several East European nations, including Romania, Bulgaria, and Czechoslovakia. Now Iran's gas, which has traditionally been burned up (as it still is in Khuzistan) will be used in exchange for the establishment of heavy industry. The Soviet Union and Iran signed a gas-steel agreement on 13 January 1966 under which Iran will supply natural gas on a large scale to the Soviet Union and the Soviet Union will help Iran in the construction of a steel complex and machine tools plants near Isfahan. As a side effect of the project, Isfahan has been linked by railway to Tehran and will be linked to Bandar Abbas on the Persian Gulf via Kerman.

A fourth major way by which the oil industry is expected to make its contribution to the Iranian economy is through the establishment of the petrochemical industry. The raw materials of the industry are those that oil and gas can provide. The National Petrochemical Company (NPC) was established recently by an Act of Parliament as an affiliate to the NIOC.⁷² The NPC is now engaged in the establishment of three major petrochemical complexes in the Persian Gulf area: Abadan, Bandar Shahpour, and Kharg Island in the Gulf itself. All three projects are undertaken by the NPC in partnership with foreign companies: the Abadan project with B. F. Goodrich, the Bandar Shahpour with Allied Chemical Corporation, and the Kharg with American Oil Company (AMOCO) International (an affiliate of Standard Oil of Indiana).⁷³

THE GULF AS IRAN'S ARTERY

The economic significance of the Persian Gulf also derives from the country's great dependence on non-oil trade through the Gulf. Although the bulk of Iran's export trade consists of crude oil and petroleum products, the trade in non-oil products also increases the Gulf's significance for Iran as the vital channel to world markets. Given its traditionally unfavorable balance of trade, Iran's foreign trade policy today is striving to overcome this problem as well as to contribute positively to the overall economy by protecting and

encouraging domestic industry, maintaining a balance of payments equilibrium, and promoting exports. These goals largely are still to be attained, but the ever-increasing rate of both non-oil exports and capital goods imports correspondingly increases the significance of the Persian Gulf as the single most important channel for Iran's foreign trade.

The increase in non-oil exports is largely a recent development in Iran's foreign trade. In the March 1965-March 1966 period the non-oil exports reached record proportions: the rate of increase in export value was 42 percent over the previous 3 years. The increase was attributed to a number of measures taken by the government, including the abolition of gate taxes, improved standardization of export products, offers of export bonuses, and rebate on customs duties for exports of manufacturing goods.⁷⁴ One of the remarkable developments in Iran's export trade in recent years has been the change in the composition of its export goods. Traditional items such as carpets, cotton, and fresh and dried fruits still account for the bulk of the total non-oil exports, but as result of changes in the economic structure of the country, particularly during the Third Plan (1962-1967), manufactured goods such as shoes, textiles, detergents, and soap increasingly are being included in the list of exports. In the 1963-1968 period the value of non-oil exports increased from \$128.2 million to \$181.8 million and Iran aims at some \$445 million in export earnings by 1973.⁷⁵

The imports through the Gulf generally have increased at a much faster pace. The adverse trade balance granted, the significant point here is that the increase in both imports and exports has made the access to world markets through the Persian Gulf more important to the Iranian economy, particularly because the imported goods are largely capital goods that are of vital significance for the country's industrialization and socioeconomic development projects. This is apparent from changes in the composition of Iran's imports in recent years. In the 1963-1968 period, the imports of intermediate and capital goods increased at an annual average rate of 19 percent; their share in the total imports increased from 78 percent to 87 percent while the share of consumer goods fell from 22 percent to 13 percent. Imports of capital goods alone

increased at an annual average rate of 21 percent and their proportion of total imports increased from 23 to 28 percent.

With the increasing rate of trade in non-oil products, sea routes are becoming ever more important to Iran for access to world markets. The only two such routes are through the Caspian Sea in the north and the Persian Gulf in the south. The actual use of the Caspian Sea has fluctuated historically, depending on the nature of Iran's overall relationship with Russia. In principle, Iranians have been conscious of the benefits that could be derived from foreign trade by way of the Caspian Sea because of the shorter distance between Iran's most productive agricultural area, which is located in the north, and its main markets in Europe, as contrasted with the long distance between northern Iran and the Persian Gulf. For this reason, since the signing of the first major treaty between Iran and Soviet Russia in 1921, the question of transit of Iranian products over Russian territory has been of interest to Iran, as evidenced by the transit arrangements of 1927, 1931, 1935, 1941, and 1964.

Nevertheless, a comparison of the imports and exports at Iranian ports in the Caspian Sea with those in the Persian Gulf shows that the Gulf ports are of much greater significance to Iranian non-oil trade (see Table 2). This is particularly revealing if the comparison is made for those years in which unprecedented improvement was made in Soviet Iranian relations and the trade between the two countries as well as transit over their territories increased. For example, in 1963-1964 the total imports at the Caspian Sea ports amounted to about 95,000 tons — about 12 times more at the Persian Gulf ports; the exports from the Caspian Sea ports amounted to about 58,000 tons — about six times more from the Persian Gulf ports.

From these statistics several points emerge clearly: the Persian Gulf is the principal artery for Iran's foreign trade, both non-oil trade and crude oil and petroleum products exports. Furthermore, this is the case even when the most favorable trade and transit relationship between Iran and the Soviet Union exists. Despite the increasing domestic consumption of oil and oil products in Iran, the oil sale and overland delivery to Afghanistan, the establishment of the gas pipeline to

IMPORTS AND EXPORTS AT IRANIAN PORTS^a
(In thousands of tons)

³Oil products not included.

Source: Bank Markazi Iran, Bulletin, Vols 5 and 6, May-Jun 66, pp 136-37; Mar-Apr 68, pp 94-6-47.

the Soviet Union, and the projected pipeline from Iran to the Mediterranean over Turkish territory, the Persian Gulf will probably continue in the future to maintain its present vital significance for Iran.

Even more extensive modernizing efforts are under way for greater utilization of the Persian Gulf ports for the promotion of non-oil trade. Traditionally Khorramshahr has been Iran's principal general cargo port and it is still the principal port for non-oil trade, partly because it is well-connected with the hinterland — by rail with northern Iran and Tehran and by improved highways with many parts of the country. Furthermore, the port can accommodate nine ocean-going vessels and has 80,000 sq mi of covered storage area and 230,000 sq mi of open, paved storage area. In 1966-1967, the Persian Gulf ports handled some 2.783 million tons of general cargo of which Khorramshahr's share was over 1.8 million. The increasing volume of non-oil trade has placed a heavy burden on the port, creating delay and inefficiency in the handling of goods. Furthermore, it has been realized that nothing short of a significant overall drive for the improvement and expansion of the existing port facilities and the creation of others could in the long run meet the problem of the concentration of cargo at Khorramshahr. For this reason, the ministry of economy concluded agreements in 1965 with Dutch, Swedish, and German firms to construct a new port near Bushire. This port had played a significant part in Iranian trade but gradually had become inadequate for efficient handling of imports destined for Fars and Isfahan. As a result, such imports had to be received at Khorramshahr and transported overland on the long Ahwaz-Tehran-Isfahan-Shiraz road.

Bandar Abbas — Iran's most strategic port because it faces the Strait of Hormuz at the narrow entrance of the Persian Gulf — has become the particular object of Iran's Persian Gulf port development projects in recent years. In an effort to meet Iran's ever-increasing dependence on Persian Gulf ports for foreign trade in general and "to return Bandar Abbas to its important place in history," Iran undertook a development project in 1963 with US assistance. This project involved the construction of a deepwater port and related facilities near Bandar Abbas. The Agency for International Development (AID) extended up to \$15 million to the Plan Organization for the foreign exchange costs of goods and services required for the project.⁷⁶ The loan, which carried

3 percent interest, was repayable in 47 equal installments beginning 7 years after Iran began to use it. By 1968 the port was supposed to have become one of Iran's major commercial ports: it could accommodate six large vessels for normal commercial cargo and a special ore-loading dock that, together with rapid improvement of the highways in the area, could greatly facilitate the export of chrome, then averaging about 10,500 tons per month. Nevertheless, few ships ever came into the port. It had a capacity of 900,000 tons cargo per year but was getting not even 60,000 because of numerous impediments — nonexistent telephone communication with the port city (let alone the hinterland), the lack of experienced pilots, slow rate of loading and unloading due to lack of qualified operators to work the existing forklifts, etc.⁷⁷

The piecemeal Persian Gulf port developments of recent years have resulted in some improvements but not enough to meet Iran's ever-increasing needs. It is now realized that traditionally the vast Gulf area had been neglected and that the improvement of port facilities cannot be divorced from the multifaceted needs of the whole area.⁷⁸ The current Fourth Development Plan places special emphasis on solving the country's growing transportation and communications problems as well as underdeveloped harbor conditions. It has been decided to develop Bandar Shahpour and to build highways to link Bandar Abbas with Shiraz and the Isfahan-Bafgh railway. A preliminary survey showed that the existing highway system meets only about one-third of the country's minimum road requirements.

For these reasons, Iran and a consortium of four American companies — Bechtel, Westinghouse Electric International, Ford Motor Corporation, and International Bethlehem Steel Corporation — have signed an agreement for the largest single integrated development plan yet to be launched for the entire Persian Gulf area. The plan, which is expected to require \$1 billion investment, covers the whole of south-central Iran, including Bandar Abbas, Jask, Minab, Jiroft, Bafgh, Bandar Lingeh, and the islands of Larak and Hengam; Bandar Abbas, with its unique position at the entrance of the Persian Gulf, is of central importance to this project. The project will probably take some 10 years to complete, and the bulk of the development work will probably become operational during the Fifth Plan. Studies covering modern agricultural development, exploitation

of mines, irrigation, desalination of sea water, establishment of light and heavy industry, and the development of communications, sea food resources, and modern port facilities are being carried out in connection with the project.

THE GULF AS A MARKET

In recent years the Gulf has taken on an added economic significance for Iran. Traditionally Iran has had little trade with the Persian Gulf states; for example, 1958-1959, its principal trade partners in the Gulf — Iraq, Oman, Qatar, Kuwait, and Saudi Arabia — imported, respectively only 1.31, 3.51, 0.01, 2.59, and 0.09 percent of Iran's total exports (see Table 3). But in the 1960's Iran became greatly interested in expanding exports to the Gulf states, partly because of its overall drive to promote exports. But the attraction of the Gulf markets for Iran is also based on the realization that these markets have expanded as the result of the Gulf states' ever-increasing income from oil. Furthermore, Iran's own agricultural and industrial developments in recent years have enabled the country to export a large variety of Iranian-manufactured consumer goods as well as fresh and dried fruits and grains.

In order to promote exports to the Gulf states, especially the Trucial States, Iran resorted to a variety of measures in the 1960's:⁷⁹ trade conferences with Persian Gulf states, abolition of exchange restrictions for the export of fruits and vegetables, 40 percent reduction of air fares for these items, centralization of export activities, exchange of merchants and visits of rulers and top officials, prevention of export of poorly standardized items, facilitation of customs formalities, and 20 percent reduction in price of cigarettes for export to the Gulf states. It is still too early to assess fully the impact of these and similar measures on the exports of Iran to the Gulf states, but already there are signs of significant increase. Iran's exports to Kuwait amounted to only \$7.5 million in 1962-1963 but reached \$24.4 million in 1965-1966. More important, by 1969 the value percentage of Iran's exports to Persian Gulf states ranked the second highest in Iran's total trade (see Table 4). However, Iran is not satisfied even with this

Table 3

Value and Percentage of Iran's Exports to Persian Gulf States,
March 1958-March 1965a

State	1958-1959		1959-1960		1960-1961		1961-1962		1962-1963		1963-1964		1964-1965	
	Value, thous of rials	Percent of trade	Value, thous of rials	Percent of trade	Value, thous of rials	Percent of trade	Value, thous of rials	Percent of trade	Value, thous of rials	Percent of trade	Value, thous of rials	Percent of trade	Value, thous of rials	Percent of trade
Iraq	103741	1.31	117987	1.53	151051	1.81	199404	2.08	167563	1.95	157737	1.64	156228	1.36
Oman	278440	3.51	161670	2.09	153703	1.84	280790	2.92	190355	2.21	192998	2.01	431713	3.76
Qatar	1002	0.01	25036	0.33	28669	0.34	29554	0.31	43247	0.50	16637	0.17	20878	0.18
Kuwait	205563	2.59	226671	2.95	239909	2.87	533646	5.56	278081	3.23	370518	3.85	614260	5.35
Saudi Arabia	6835	0.09	10550	0.14	2261	0.03	814	0.01	3460	0.04	7150	0.07	10733	0.09
Dubai	143	--	15047	0.20	36579	0.44	98190	1.02	45724	0.53	32803	0.34	98172	0.85
Musqat	--	--	2450	0.03	2170	0.03	2767	0.03	2101	0.02	444	--	1991	0.02

^aOil not included.

Source: Compiled from Vizarat-i Iqtisad, Idarih-iKull-i Bazargani, Amar-i Tijarat-i Kharijy-i Iran dar 1279-1343, Tehran 1344 (Ministry of Economy, Bureau of Statistics, Iran's Foreign Trade Statistics; 1900/1901 - 1965/1966, Tehran 1965/1966).

Table 4

Iran's Exports, March 1967-March 1968
(Excluding oil and hydrocarbon solvents extracted from oil)

<u>Country</u>	<u>Percent of value</u>
Persian Gulf States	15.9
Kuwait	5.26
Iraq	4.94
Oman	2.95
Dubai	1.36
Saudi Arabia	0.34
Qatar	0.32
Musqat	0.02
Soviet Union	16.50
West Germany	15.08
USA	11.31
Great Britain	5.32

Source: Salnamih-i Amari-i Bazargani-i Kharejy-i Iran (Yearbook, Foreign Trade Statistics of Iran), published by the Ministry of Finance, Bureau of Statistics, No. 12, Tehran, 21 Mar 67-20 Mar 68.

increase; it is determined to increase the total to over \$100 million in the near future.

Many other underdeveloped features of the Iranian economy and transportation and communication facilities will have to improve before such export targets in the Persian Gulf can be realistically reached. This fact is clearly realized today. Apart from the general inadequacy of highway systems and port facilities, which adversely affect Iranian trade with the Persian Gulf states, it is realized that water transportation is crucial to such trade. Traditionally American ships of the Isthmian Lines and the Central Gulf Steamship Corporation have called at Iranian ports on a regular basis. But these shipping lines have seldom been of use to Iran because of the traditionally small volume of Iran's trade with the Gulf states on the one hand and the irregularities and delays involved in the overland transportation of Iranian goods to the Persian Gulf ports. As the interest in greater export to the Gulf states has increased, these problems have become more pressing. To overcome the shipping problem, an Iranian shipping company, the Arya Shipping Lines, was created in 1965. In September 1969, 16 merchant navy cadets received mid-term certificates as part of a 30-man force of merchant naval trainees who then proceeded to Belgium for further training. Within 12 months after the establishment of the lines, the Arya Shipping Lines vessels were capable of sailing between European ports and Khorramshahr as well as between the Iranian ports and the ports of the Gulf states.⁸⁰

FISHING POTENTIAL

Finally, the increase in Iran's economic interest in the Gulf in the near future would be marked not only by the acquisition of new markets in the Persian Gulf states but also by the exploitation of the Gulf fisheries. Traditionally, Iran has done little to utilize fisheries in the Gulf; it has left fishing to Pakistani, Kuwaiti, Japanese, and other foreign fisherman and has been satisfied with little income from their catch. In 1963-1964, however, the Southern Fisheries Company [Shilat-e-Jonub] was established, and the government has since sought to encourage the private sector to participate in the utilization of the

Gulf fisheries by various means, including the formation of fishermen cooperatives. In view of the depletion of "white fish" in the Caspian Sea, a high-protein food item that used to be available to the masses as well as the wealthy, and the occasional scarcity of mutton, exploitation of the relatively "unlimited supply" of the Gulf fisheries has been of increasing interest to Iran. The claim of some Iranian economists that the Persian Gulf fisheries could provide Iran with an income as large as oil is most probably an exaggeration,⁸¹ but the supply may well be abundant enough to make the Persian Gulf a significant source of food supply for domestic consumption.

Chapter 4

PERSIAN GULF SECURITY: PROBLEMS AND PROSPECTS

The overriding goal of Iran's foreign policy is preservation of its national security — the fundamental goal of any nation's foreign policy. Iran's conception of security in the Persian Gulf as such is made more comprehensible by the previous analysis of Iran's interests, policies, and problems in the Gulf area; the very extensiveness of Iran's line of defense in the Persian Gulf makes its security in the Gulf area inseparable from the country's overall national security.

Given the nature of the Iranian political system, national security and the security of the existing regime are interlocked. This is the regime of Muhammad Riza Shah Pahlavi, but the establishment of the Pahlavi dynasty dates back to 1925. Today the preservation of this dynasty and Iran's national security are inseparable in the eyes of the supporters of the regime. For this important reason, Iran's current conception of national security consists of protection of this regime from internal and external threats as defined by the regime itself, as well as the preservation of all those other Iranian interests that have been identified here. No matter who may rule in Iran, these interests will continue and as long as Muhammad Riza Shah or his heirs rule the country, preservation of the Pahlavi dynasty will constitute a significant ingredient of Iran's conception of national security in general and in the Persian Gulf in particular.

ALTERNATIVE SECURITY ARRANGEMENTS

No matter who ruled in Iran in the past and no matter how unpalatable the predominance of British power may have been for the Iranian rulers,

it was the British presence — backed by the moral and material resources of an imperial power — that for 150 years maintained the security of the Persian Gulf; ensured freedom of navigation, control of piracy, and limitations on slavery; and, more important, discouraged other European or local powers from extending their influence in the area. Therefore, the British decision to withdraw its forces from the Persian Gulf when implemented would mark the end of Britain's imperial influence and control in this strategic waterway. The announcement of 16 January 1968 contained a momentous British policy decision, but this was not an isolated decision; it was in keeping with the postwar revolutionary changes in the British power position in many parts of the world.

Nor was the British decision confined to the withdrawal of forces from the Persian Gulf alone. As early as October 1966 the Labour Party resolved at its Brighton Conference to demand:

...a decisive reduction in military commitments East of Suez, including withdrawal from Malaysia, Singapore and the Persian Gulf, by 1969-70, thus ending excessive strain on the armed forces and over-dependence on American support, and making possible a defence budget well below 1,750 million.⁸²

The British decision produced a "torrent" of disapprobation from many quarters — including, particularly, the British press. Some believed, for example, that Singapore would have preferred to have a number of years to prepare its economy and defense potential as would Malaysia. The basic point is that the decision gave rise to the problem of security throughout the area east of Suez, including the Persian Gulf.

In the Gulf the British decision most directly affected the Trucial States, Bahrain, and Qatar. These mini-states seriously felt the impact of the decision as their vulnerable position was deemed to be an invitation to new outside powers. For example, it was reported that some sheikhs had offered to pay for the cost of keeping British forces in the Persian Gulf beyond 1971, but the British foreign secretary believed that this would not be a satisfactory answer to the problem. He added: "If we attempted to keep an effective military presence in that area after 1971, much more than local costs are involved. It would place a severe burden on the logistic backing required from our forces which would then be concentrated here in Europe."⁸³

Since the scheduled withdrawal of British forces from the Persian Gulf was expected to create a serious power vacuum first and foremost in and around the Trucial States, from the time the British decision was made public, the idea of creating an Arab federation began to gain support. Given Iran's outstanding claim to Bahrain, one major problem had been the inclusion or exclusion of Bahrain alongside Qatar and the seven Trucial States. Iran opposed the idea of an Arab federation including Bahrain when it was finally announced on 22 October 1969. The Bahrain settlement in the spring of 1970, however, removed this obstacle to the formation of the FAA.

Iran does not consider the union by itself a sufficient substitute for British power on the west bank of the Persian Gulf. The seven Trucial States lack the human and natural resources necessary for the creation of a powerful state.⁸⁴ Some 90 percent of the 121,000 total population of the Trucial Coast are illiterate and the percentage would go even higher if it were not for a large number of expatriates from other parts of the Arab world, especially Palestine, Jordan, and Iraq, and for large communities of Iranians, Baluchis, Indians, and Pakistanis. The nearly primitive socioeconomic conditions of the Trucial States provide little real basis for building a politically or militarily strong federation at the present time. Abu Dhabi and Dubai are the only two Trucial States that produce crude oil — it is hoped that their relative "affluence" may spread to the other five states. Apart from the paucity of ingredients of power, disputes have traditionally characterized relations among the sheikhdoms and larger Arab states, for example, the Qatar-Bahrain claims and counterclaims to islands in the Gulf, Qatar-Saudi Arabian unsettled border dispute, and Qatar-Abu Dhabi land and sea frontier conflicts. (It is also hoped that the creation of the new union will resolve these problems.) Even assuming the best of circumstances, however, the security of the lower part of the Gulf and that of the Gulf as a whole, in the last analysis, would depend on the Gulf states.

Iran is one of the larger states in the Gulf. As such, how does Iran seem to envisage the requirements of security in the Persian Gulf? Three principal guidelines for Iranian security policy in the Gulf are apparent: First, the power vacuum that will be left by the withdrawal

of British forces from the Gulf must not be filled by either of the superpowers. Iran has repeatedly stated that neither the US nor the Soviet Union should attempt to fill the vacuum. Second, the security of the Gulf is the responsibility of the Gulf states, which means that beside the Persian Gulf sheikhdoms, Iran, Saudi Arabia, Kuwait, and Iraq are the main parties concerned. Third, Iran must be prepared to rely on its own strength to maintain the security of the Gulf if no security arrangement can be worked out with the Gulf states. Assuming for the moment that the US and the Soviet Union would heed Iran's admonition and not for their own reasons attempt to fill the power vacuum left by the British after 1971, what would be the prospects for some kind of security arrangement among the Persian Gulf states themselves?

One alternative would be the creation of an all-encompassing security system including Iran, Saudi Arabia, Iraq, Kuwait, and the FAA. Although with the settlement of the Bahrain problem the prospects for such a comprehensive system may well have improved, the very comprehensiveness of such a security arrangement, let alone numerous boundary and other problems mentioned before, would seem to militate against its realization in the near future.

A second possibility would be formation of a security system consisting of only the larger Persian Gulf states — Iraq, Iran, Kuwait, and Saudi Arabia. The prospects for such a system would also appear discouraging at the present time; the Shatt al-Arab problem is the major stumbling block in the way of Iraqi-Iranian membership in the same security system, and Iraq's latent claim to Kuwait complicates the problem. The exclusion of Iraq might make an arrangement among the other three states more plausible, but this would still leave Iraq's claim to Kuwait an impediment.

A third alternative would be the creation of an alliance between the largest Gulf states, namely, Iran and Saudi Arabia. These countries have the longest seashores on the east and west banks of the Gulf, similar interest in the integrity of their forms of government, and somewhat similar attitudes toward the West and Arab revolutionism. They have resolved their differences in the continental shelf and are engaged in utilization of seabed oil resources on a mutually agreed basis.

As contrasted with other alternatives, this might seem more promising at the present time. But any prospects for a Saudi-Iranian formal alliance would be limited by two fundamental considerations. One is the Iranian policy toward Israel. All Arab states will continue to be guided to a significant extent by this consideration in their relations with Iran. For this reason Iran has withheld de jure recognition from Israel and has tried to support the Arab states publicly on various occasions, as evidenced by its stand on the problem of withdrawal of Israeli forces from the Arab areas occupied during the June War, its well-publicized sympathy with the Arab and Muslim states in the fire incident in the Al-Aqsa Mosque, its extension of moral and material support to Arab refugees, and the Shah's reception of the leaders of Arab Fedayeen during the Islamic conference at Rabat.

The other major consideration that will militate against an Iranian-Saudi alliance in the Persian Gulf is the pressure of Arab revolutionary states on Saudi Arabia. No Arab country can be immune to the vicissitudes of inter-Arab politics, and Saudi Arabia is by no means an exception. Egypt and Saudi Arabia have often stood at opposite poles in the "Arab Cold War"; they have competed for power and influence in the Arab World and supported rival factions in various Arab states, most notably in the Yemeni civil war. In seeking to extend its own influence into the Persian Gulf area, Egypt has found anxious supporters not only among the small but active elements of the politically awakened groups in the small Gulf states and sheikhdoms but also in Saudi Arabia itself. Furthermore, Egypt has repeatedly tried to utilize Iran's claim to Bahrain and Iran's differences with Saudi Arabia to drive a wedge between the two countries. It has also sought to publicize that Iraq and Kuwait have no interest in joining with Saudi Arabia and Iran in a security arrangement. More important, Egypt has brought subtle pressures to bear on Saudi Arabia by emphasizing that Saudi Arabia has "a special nationalist responsibility in maintaining the Arab character" of the Gulf.

IRAN: LEADER IN PARTNERSHIP

Finally, a fourth alternative would be a variant of the third. Iran and Saudi Arabia would reach an informal understanding instead of a formal alliance for the protection of their mutual interests, including the integrity of their respective forms of government. Such an understanding would have the advantage of avoiding exacerbation of the existing suspicions and impediments to their closer cooperation. Iran would be able to continue its present mutually beneficial relations with Israel and simultaneously ensure greater security in the Persian Gulf by maintaining and strengthening friendship with the largest Arab state on the west bank of the Gulf. Saudi Arabia would be able to keep its "brotherly ties" with the Arab revolutionary states in general, and with Egypt and Iraq in particular, while enjoying the support of the single most powerful state in the defense of the Gulf. Furthermore, the two countries would be able to increase their present economic cooperation in the Gulf region; counter the subversive designs of PRSY and its friend, Communist China, in the Trucial States, Bahrain, Qatar, and Musqat and Oman; and, not the least important, avoid excessive allocation of their own resources to military expenditures at the expense of rapid socioeconomic modernization at home.

In any such partnership, however, the question of leadership would inevitably arise whether officially acknowledged or not; though it would probably be advisable for neither Iran nor Saudi Arabia to press for any such acknowledgment, the fact remains that Iran today considers itself as "the principal power" in the Persian Gulf — a conception accompanied with a commensurate sense of responsibility as well as favorable national capability. In a Speech from the Throne in October 1969, at a joint session of the two houses of Parliament, the Shah declared that, with

...the departure of British forces from East of Suez in 1971, we shall be facing responsibilities which could not have been foreseen earlier. This will, of course, entail enormous expenses for Iran.... But, on the other hand, it is logical that protection of this region's security be undertaken by local powers. ⁸⁵

Iran's resolve to play the role of the leader in partnership with other Persian Gulf states is probably inspired by its millennial aspiration, which today, more than ever before, is matched by increasing capabilities. The opportunity to exercise leadership is amply provided by the prospective departure of British forces after some 150 years of supremacy in the Persian Gulf, with no apparent resolve on the part of either the US or the Soviet Union to act as the British legatee at the present time.

As compared with Iraq and Saudi Arabia, Iran today possesses most of the ingredients of national capability. It is the most populous of the three countries, is richest in natural resources, and enjoys the highest rate of literacy. More important, it is becoming the leading producer of oil in the Middle East and surpasses not only the Gulf states but most countries of the Third World in its rapid rate of economic and industrial expansion. The annual rate of growth during the 5 years before 1969 was 9.4 percent; in 1968 it was 10.3 percent; and during 1969 it reportedly rose to 15.6 percent.

As noted previously, some 80 percent of the oil revenues are earmarked for the current Fourth Development Plan, which calls for a total investment of some \$11 billion. Increasing rationalization in economic planning over the past three decades is already beginning to produce positive results. As contrasted with the first three plans, the Fourth Plan is more sensitive to the complexities of economic planning and clearer in its order of priorities; it is blessed by the experience gained in the previous plans, greater availability of statistical data and economic know-how, and the increasing domestic and foreign confidence in the Iranian economy that stems from both the recent socioeconomic revolution and increased oil revenues. (During the first year of the current Plan actual GNP surpassed the 9.4 target percentage, representing a remarkable performance by agriculture, mining and industry, construction, and other sectors. In spite of the active migration of rural population to the cities and industrial centers, for example, the output per man employed increased 6.2 percent.) Relative political stability, coupled with more rational planning and an overall air of confidence in the economy, seems to bode well for the comprehensive Fourth Development Plan. The recurrent problem of Iran's desire for increased oil production

and revenues on the one hand and the oil consortium's sensitivity to the requirements of the world petroleum market on the other has proved irritating to both parties, but their greater community of interests will probably impel accommodation in the future as it has in the past.

Another important element of capability is national identity. As a nation Iran compares favorably with the other Persian Gulf nations insofar as it has had a continuous sense of corporate identity throughout its history, a universally acknowledged continuous civilization, and relatively stable boundaries. Unlike the Arab nations, Iran is not torn between the pull of local nationalism and the attraction of a movement such as Pan-Arabism. The country's geographic separation from the plains of the Fertile Crescent, its distinctive culture and language, and its overriding sense of its own particular identity overshadow its general sense of religious affinity with the Arab and the Muslim world.

A far more difficult problem that significantly bears on capabilities is the stability of the present regime that, despite rival political forces, was firmly established by the early 1960's.⁸⁶ Given the unprecedented nature and pace of socioeconomic changes in Iran today, it would be difficult to speak of the "pillars" of support for the existing regime in any static sense. The traditional conception of the monarchy in terms of the hierarchical trio of the monarch, the military, and the bureaucracy must take note of the impact of recent socioeconomic changes in considering the stability of the Shah's regime.

The single most important development in Iran's recent history has been the emergence of the Shah himself as an effective modernizer. The adjective "effective" refers to the high quality of the Shah's regime.

The single most important development in Iran's recent history has been the emergence of the Shah himself as an effective modernizer. The adjective "effective" refers to the high quality of the Shah's leadership in the modernization of Iran, particularly since the launching of the land reform program in 1962-1963, as well as his firm control of the government. A careful documentary analysis of the Shah's pronouncements from his ascent to the throne would reveal that his modernizing aspirations predate the inauguration of his "White Revolution," but his emergence as an effective modernizer is a recent phenomenon; it is a result

of both a subtle change in the man himself and the fortunate conjunction of internal and external circumstances already noted.

Just as the role of the Shah has been undergoing unprecedented change in recent years, his modernizing efforts have begun to produce far-reaching changes in Iranian society. To be sure, the military and the bureaucracy are still largely of the traditional type in terms of both personnel and practice, but one of the striking socioeconomic changes has been the appearance of an increasing number of modern-educated members of the urban middle class in important government positions. This change is not universally observable; for example, the composition and quality of the personnel of the NIOC and the Central Bank are far more reflective of the newer patterns of recruitment than are those of the ministry of post and telegraph. Nevertheless, the fact remains that this significant change is occurring throughout the Iranian administrative system, no matter how unevenly.

Yet this fact is universally denied by the politically alienated Iranians. To begin with, they deny the very legitimacy of the regime, which they claim is exclusively interested in perpetuating itself in power by whatever means. They "warn" the observer not to believe the claims of achievement made by the communications media for the regime. When confronted with a factual account of the regime's actual socioeconomic accomplishments, they attribute these to jabr-e tarikh ["compulsion of history"]. They argue that what has indeed been accomplished has been forced on the regime by circumstances. This basic disbelief of the politically alienated in the legitimacy of the regime, however, is discussed only in extremely intimate circumstances, partly because of fear of the regime's security organization (SAVAK).⁸⁷

Whereas this deep skepticism is rampant among certain groups in the urban society, the rural population is beginning to acquire a new position in Iran. Despite shortcomings of the land reform program, changes of great significance are occurring in Iran's rural life. Far more important than observable physical improvements in a growing number of villages (increase in productivity, better sanitation, better education, etc.) are the profound, yet intangible, changes in attitudes and feelings of the peasant. The most fundamental changes are the peasant's

increasingly positive attitude toward life and his conception of his changing status. Today, in contrast with pre-land-reform days, he considers himself "free." Many peasants show signs of anxiety about their newly acquired responsibilities but seem conscious that this is an attribute of their new status. Thus the traditionally downtrodden, disease-ridden, and oppressed peasantry is beginning to emerge as a new force in the Iranian society. It is not suggested that the peasantry today is politically significant or about to emerge as participant citizenry, but it would be a mistake to continue to take for granted the peasant's traditional apathy. The peasant is increasingly awakened politically and there are signs of a new pattern of loyalty emerging among the peasantry. The existing regime may well become the beneficiary of this emerging loyalty, but no one can be sure.

The present regime seems conscious of the crucial problem of political alienation and its bearing on political stability. It may even admit existence of serious limitations on the expression of real political opposition. But the regime seems to believe that it is encouraging the growth of those attitudes and institutions that are ultimately necessary for responsible political participation. These and similar claims are seriously questioned by the critics; they say that, at best, the present regime encourages participatory politics no more than do other military regimes that hypocritically relegate "democratic" participation to an illusory future. Even so, supporters of the regime claim, the important feature distinguishing the Iranian experience from that of many other authoritarian regimes in developing nations is that the Shah's promise of future political participation is, in fact, preceded by one of the most successful socioeconomic revolutions occurring in the Third World in recent years, reforming, without destroying, Iran's traditional institutions, including the monarchy.

Lastly, as an index of Iran's national capabilities relative to the larger Persian Gulf states, its military strength compares favorably with those of both Iraq and Saudi Arabia. Both Iran's current economic prosperity and relative political stability, of course, have important bearing on its strong military establishment, and the old dream of becoming a naval power in the Persian Gulf — never truly realized by Nadir Shah, Nasser ed-Din Shah, or even Riza Shah — reinforces the

present Shah's determination to strengthen the country's military capability in general and in the Persian Gulf in particular. Faced with the repercussions of the Iraqi revolution as well as the conciliatory attitude of the Soviet Union, in 1967 the Shah broke with Iran's postwar practice of acquiring military equipment mainly from the US and purchased some \$110 million of nonsensitive military equipment from the Soviet Union. And subsequent to the announcement of the British decision to withdraw from the Persian Gulf, the parliament authorized the government of Prime Minister Hoveyda to obtain a loan of \$266 million from "any source or sources" for the purchase of arms to strengthen Iran's position in the Persian Gulf area in particular.

Iran's determination to strengthen its military establishment is reflected in the present makeup and extent of its military expenditures as a percentage of its GNP relative to those of Iraq and Saudi Arabia (see Table 5). The Iranian army, air force, and navy are the largest of the three countries in total strength, possess probably the most sophisticated weapons system, and enjoy the largest budgetary support. The strength of its navy and the supporting air power in particular could stand Iran in good stead in case of a showdown, although the proximity of its complex of oil installations, pipelines, and petrochemical industry to Iraqi territory is of no slight concern. The combination of the Iranian-Saudi Arabian military power, however, could prove to be a better deterrent in regard to a would-be local aggressor.

SUPERPOWERS AND THE PERSIAN GULF

This discussion of various security arrangements by local powers has been based, not without reason, on the assumption that neither the Soviet Union nor the US is at present bent on acting as the British legatee in the Persian Gulf after 1971. In fact, it may be professed that Iran's current desire to play a leading role in the Persian Gulf is to no small extent aided by its consciousness of the apparent fact that both superpowers at present seem generally to display a hands-off attitude toward the Persian Gulf. This is not to suggest that the

Table 5

Military Capability of the Major Persian Gulf States

a. Comparative Statistics			
General	Iran	Iraq	Saudi Arabia
Population (thous)	27,500	8,700	6,000
Monetary unit	75.75 rials = \$1	1 dinar = \$2.8	4.5 rials = \$1
Military service (number of years)	2	2	Voluntary
Estimated GNP, 1968 (billions of US dollars)	8.5	2.25	2.7
Defense	Budget 1969-1970	Expenditure 1969	Expenditure 1969 (est.)
Cost in local currency	38,254 million rials	100 million dinars (approx.)	1,545 million rials
Cost in millions of US dollars	505	280	343
Armed forces (total strength)	221,000	78,000	34,000
b. Composition of Armed Forces			
Branch	Iran	Iraq	Saudi Arabia
Army			
Total strength	200,000	70,000	28,000

Table 5 (continued)

Branch	Iran	Iraq	Saudi Arabia
Army (continued)			
Units	<p>1 arm div 7 inf div 1 independent arm bde M-24, M-47 and M-60AL tanks</p> <p>M-113 and BTR-152 APCs</p> <p>1 bn Hawk surface-to-air missiles</p> <p>Soviet 57-mm and 85-mm antiaircraft guns</p> <p>1 avn bn; with 17 Huskie helicopters</p>	<p>1 arm div 5 inf div</p> <p>300 T-54/55's, 180 T-34's and 55 Centurion Mark-5 medium tanks</p> <p>40 Chaffee light tanks</p> <p>AML-60 and Ferret arm cars</p>	<p>About 4 inf bde</p> <p>Few M-47 Patton medium tanks, M-24, M-41 and AMX-13 light tanks, and Vigilant antitank missiles</p> <p>60 AML-90 arm cars</p> <p>6 batteries, Hawk surface-to-air missiles</p>
Navy	6000	2000	1000
Total strength	<p>2 escort destroyers</p> <p>4 other escorts</p> <p>4 coastal minesweepers</p> <p>2 inshore minesweepers</p> <p>3 landing craft</p> <p>24 Patrol vessels (less than 100 tons)</p>	Small number of MTBs and patrol vessels	Coastal patrol craft only, including 1 patrol vessel of over 100 tons

Table 5 (continued)

Branch	Iran	Iraq	Saudi Arabia
Air Force			
Total strength	15,000 180 combat aircraft	6000 213 combat aircraft	5000 43 combat aircraft
Units	32 F-4D all-weather fighter-bombers, to use Sidewinder and Sparrow air-to-air missiles, are being delivered 90 F-5 tactical fighter-bombers About 50 F-86 all-weather interceptors	8 Tu-16 medium bombers 10 Il-28 light bombers 20 Su-7 all-weather fighter-bombers 60 MiG-21 interceptors 50 Hunter Mark-9 ground-attack 45 MiG-17 and MiG-19 jet fighters 20 T-52 Jet Provost light-strike aircraft About 40 Soviet and British medium transports 9 Mi-I and II Wessex helicopters	37 Thunderbird surface-to-air missiles, some installed around airfields 4 Hunter and 28 Lightning interceptors 11 F-86 Sabre fighters About 40 Hunter, Lightning, Jet Provost and T-41A jet trainers 9 C-130E, 10 C-47 and 2 C-118 medium transports 2 Alouette III, 20 AB-205 and AB-206 helicopters
Paramilitary Forces			
Total strength	25,000	10,000	28,000

Table 5 (continued)

Branch	Iran	Iraq	Saudi Arabia
Paramilitary Forces (continued) Unit	A Gendarmerie	A national guard of several thousands 1 mechanized bde of security troops	Tribal levies (the 'White Army') lightly armed, used chiefly for internal security purposes

Source: Compiled from The Military Balance 1969-1970, The Institute for Strategic Studies, London, 1969, pp 34-6.

attitudes of the superpowers determine Iran's present posture in the Persian Gulf, but they exert a significant effect.

Russia's traditional policies toward Iran and the Persian Gulf might shed some light on its current attitude, but a rapid discussion of revolutionary changes in the Soviet position in the Middle East since the mid-1950's and in regard to Iran since the early 1960's may prove more helpful.

Prior to 1955, when the Soviet Union first sold arms in the Arab world,⁸⁸ the area was still largely a preserve of the West. In the ill-fated Tripartite Declaration of 1950, Britain, France, and the US posed as the principal powers concerned with the Arab-Israeli conflict, but, by the late 1960's, not only was the Soviet Union one of the four powers to seek solution to the conflict; it was, in fact, the only power that could seriously discuss the problem with the US. This is a clear illustration of the dramatic change in the power position of the Soviet Union in the Middle East. The Soviet Union today is a Middle Eastern power, enjoying considerable influence in Egypt, Syria, South Yemen, and Iraq. It is also a Mediterranean power, commanding substantial naval forces that may be no match for the Sixth Fleet in case of a thermonuclear war but that lend significant support to Soviet diplomacy in the Middle East.⁸⁹

The changes in the Soviet policy toward Iran since the early 1960's have been no less significant. When the Soviet Union first sold arms in the Arab Middle East it had, in fact, leapfrogged over the Northern Tier, including Iran, which joined the Baghdad Pact in the same year that the Czech arms sale to Egypt took place. Iran's membership in the Pact was not welcomed in Moscow, and the latter launched a violent propaganda attack against Iran until Iran pledged in 1962 not to allow foreign missile, or rocket, bases on its territory. The pledge came in the wake of a period of acrimonious relations between Tehran and Moscow subsequent to the breakdown of Soviet-Iranian negotiations for a 50-year non-aggression pact. In all probability, either the Soviet Union initiated the negotiations in order to undermine Iran's approach to the US for a clearer commitment to defend Iran against local (such as Iraqi) as well as Soviet aggression, or, possibly, Iran hoped by playing the Soviets off against Washington to persuade the US to come through with a more definite commitment for the

defense of Iran. In any event, in 1962, when the US was able to withdraw the intermediate ballistic missiles, the Jupiters, from Turkey, Iran made its missile-bases pledge.

Probably because the US, with its naval-based air power in the Mediterranean, needed no such bases in Iran, the pledge did not appear significant militarily in the West but, in retrospect, it signaled the beginning of an unprecedented rapprochement between Iran and the Soviet Union. It marked the start of "normalization" of political relations between the two countries, namely, the end of the cold war between Tehran and Moscow, and ushered in revolutionary changes not only in their commercial and economic relations but also in Iran's trade and technical-economic ties with East European countries. (As a result, Iran's trade with these countries from 1963-1968 ranked the second highest, as compared with all other trade partners, in terms of the average rate of increase.) The Soviet bloc's economic and technical aid to Iran has encompassed an unusual array of activities, including construction of Iran's first steel mill, a machine-tool plant in Arak, and a hydroelectric dam over the border river, Aras; expansion of the Caspian Sea ports and development of its fisheries with Soviet assistance; and the establishment of a machine tool plant in Tabriz by Czechoslovakia. In short, by the late 1960's the Soviet Union had extended some \$700 million credit to Iran, largely for socioeconomic development.

The emergence of the Soviet Union as a Middle Eastern-Mediterranean power and its more recent rapprochement with Iran, coupled with the British withdrawal from Aden and the decision to withdraw forces from the Gulf, seem to have added inducement to the extension of Soviet influence into the Persian Gulf. Since the beginning of 1968 the Soviet Union has made naval visits to ports in Iran, Iraq, the Indian Ocean, and the Arabian Sea. The interest in undermining Western and extending Soviet influence in this new zone of the Middle East may be gleaned from other events as well. For example, the Iranian-Saudi Arabian talks during the Shah's visit to Saudi Arabia were regarded by the broadcast of 14 January 1968 of the clandestine communist radio Peyk-e Iran to "deal with one topic — implementation of imperialist plans to protect imperialist interests in the Persian Gulf. There is no difference

between the negotiations on this main topic. The difference merely revolves around the imperialist decision to give supremacy to one of the two regimes in the region. Will it be Saudi Arabia or Iran?" To cite another example, when Premier Kosygin visited Iran in 1968, he reportedly ventured to talk with the Shah and the prime minister of Iran about the possibility of Soviet oil prospecting in the Persian Gulf. He apparently received only noncommittal answers from Iran.⁹⁰

A clearer indication of Soviet policy in the Persian Gulf appeared in a Tass statement in March 1968 after the visit of several high-ranking American and British officials to Iran. Tass claimed that these visitors tried "to impose" various versions of a draft plan for the creation of a "so-called joint defense system" and that the plan was for "neocolonialist purposes." These purposes were first of all the maintenance and strengthening of

...the positions of the capitalist oil monopolies, which for many years have extracted billions of dollars in profits through brazen plundering of the natural resources in the Persian Gulf zone. [These plans of] neocolonialism were also directed against the security of the U.S.S.R.'s southern boundaries. [The Soviet Union] resolutely opposes the new attempts by aggressive circles of the U.S.A. and Britain to interfere in the affairs of countries in the Persian Gulf region and to dictate their will to them.

But the Soviet Union seemed to favor security arrangements forged by the Persian Gulf states themselves.⁹¹

From the foregoing considerations two related propositions would seem to emerge. One is that the Soviet Union may well attempt to establish some kind of naval presence in the Persian Gulf for further extension of its present influence in the Middle East region. Naval visits to Persian Gulf ports may increase after the British withdrawal, and the establishment of a naval presence could be aided by the friendship of revolutionary Iraq at the head of the Gulf and South Yemen on the approach to the Gulf. It could also be aided by the emergence of Arab revolutionary regimes on the west bank of the Gulf. The current pressure of South Yemen on Musqat and Oman may bring about British withdrawal from there and thereby increase the prospects for an Arab

revolutionary take-over in the prospective Arab federation. Furthermore, the establishment of a Soviet naval presence in the Gulf could be aided by the opening of the Suez Canal.

The second proposition is that increased Soviet activities in the Persian Gulf in general and an increased Soviet naval presence in particular aim primarily at the neutralization of Iran and Turkey. Of the two Middle Eastern allies of the West, Iran would probably be more severely affected. From the Soviet perspective, Iran may be regarded already successfully neutralized as a result of extensive economic ties with the USSR. From the Iranian perspective, however, rapprochement with the Soviet Union has been welcomed in order to increase rather than decrease Iran's freedom of action in world affairs. Should Iran find any reason in the future to fear closer ties with the Soviets, it may be expected to treat its relations with Moscow with even greater caution. History shows Iran's undiminished resolve to resist Russia; Iran needs no tutoring on Russian behavior.

The strategic significance of Iran for the US is evidenced by the pronouncements of every postwar administration, US support of CENTO, the US bilateral agreement with Iran, and the expenditure of billions of dollars on economic and military aid to Iran since the end of WWII. From 1946-1968, Iran received \$998.0 million in American economic aid, of which \$545.5 million was loans and the rest grants. During the same period Iran was provided with \$1,209.1 million in military aid (see Table 6). From the beginning Iran's acceptance of this aid was in light of its historic experience with Russia's southward drive at the expense of Iran in the nineteenth century and Soviet sponsorship of separatist movements on Iranian soil in the twentieth century. After the fall of the Musaddiq government the Shah's regime received greater amounts of economic and military aid for Iran's development and strengthening both the basis of its own domestic power and its resistance to the Soviet Union. With a view to these goals, the Shah's regime also acceded to the American-sponsored Baghdad Pact in 1955.

The 1958 revolution in Iraq, however, added a new impetus to Iran's demand for further American guarantee of Iran's security. Iran's traditional concern with the Russian drive toward the Persian Gulf was

Table 6

US Economic and Military Aid to Iran, 1946-1968
(US Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS										REPAY- MENTS AND INTEREST 1946- 1969	TOTAL LESS REPAY- MENTS AND INTEREST	
	POST-WAR RELIEF PERIOD	MARSHALL PLAN PERIOD	MUTUAL SECURITY ACT PERIOD	FOREIGN ASSISTANCE ACT PERIOD									
				1945-1948	1949-1952	1953-1961	1962	1963	1964	1965			1966
A.I.D. AND PREDECESSOR AGENCIES - TOTAL.....	-	14.9	500.3	53.0	22.0	4.2	2.5	6.9	-1.1	-1.4	-0.4	601.0	461.5
Loans.....	-	-	179.9	19.7	17.4	1.3	-	4.9	-1.7	-1.4	-0.2	219.7	80.2
Grants.....	-	14.9	320.4	33.3	4.6	3.0	2.5	2.0	0.7	-	-0.1	381.2	381.2
FOOD FOR PEACE - TOTAL.....	-	0.1	40.7	13.6	19.1	11.8	18.7	11.1	2.1	13.9	*	131.1	114.0
Title I - Total.....	-	-	22.0	4.9	4.7	3.8	17.4	8.6	1.6	13.6	-	76.6	59.5
PAYABLE IN U.S. DOLLARS - LOANS.....	-	-	-	-	-	-	13.0	8.6	1.6	13.6	-	56.3	47.0
PAYABLE IN FOREIGN CURRENCY - Planned for Country Use	-	-	22.0	4.9	4.7	3.8	4.4	8.6	1.6	13.6	-	39.8	31.5
Total Sales Agreements, including U.S. Uses.....	(-)	(-)	(32.0)	(6.6)	(6.9)	(5.4)	(10.2)	(-)	(-)	(-)	(-)	(61.1)	(61.1)
Planned for Country Use.....	-	-	22.0	4.9	4.7	3.8	4.4	-	-	-	-	39.8	31.5
Economic Development Loans.....	-	-	14.5	-	4.1	3.5	4.1	-	-	-	-	26.1	21.1
Economic Development Grants.....	-	-	5.9	4.6	-	-	-	-	-	-	-	10.5	9.4
Common Defense Loans and Grants.....	-	-	1.6	0.3	0.7	0.3	0.3	-	-	-	-	3.3	1.1
Cooley Loans.....	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Grants.....	-	-	-	-	-	-	-	-	-	-	-	-	-
Assistance From Other Country Agreements.....	-	-	-	-	-	-	-	-	-	-	-	-	-
Title II - Total.....	-	0.1	18.7	8.7	14.4	8.0	1.2	2.5	0.5	0.2	*	54.5	54.5
EMERGENCY RELIEF, ECON. DEV. & WORLD FOOD PROGRAM.....	-	-	12.0	5.8	11.0	2.2	1.1	-	-	-	-	32.0	32.0
VOLUNTARY RELIEF AGENCIES.....	-	0.1	6.7	2.9	3.4	5.8	0.2	2.5	0.5	0.3	*	22.5	22.5
EXPORT-IMPORT BANK LONG-TERM LOANS.....	-	-	70.0	-	-	8.5	18.5	-	103.1	26.7	6.5	233.4	159.7
OTHER U.S. ECONOMIC PROGRAMS.....	25.8	1.5	-	0.4	0.2	1.1	1.4	2.6	1.8	1.9	1.4	38.1	34.7
CONTRIBUTIONS TO INTERNATIONAL LENDING ORGANIZATIONS.	-	-	-	0.4	0.2	-	1.4	2.6	-	1.9	-	10.8	10.8
PEACE CORPS.....	-	-	-	0.4	0.2	1.1	1.4	2.6	1.8	1.9	-	10.8	10.8
SOCIAL PROGRESS TRUST FUND.....	-	-	-	-	-	-	-	-	-	-	-	-	-
OTHER.....	25.8	1.5	-	-	-	-	-	-	-	-	-	27.3	22.9
TOTAL ECONOMIC.....	25.8	16.5	611.0	67.0	41.3	25.7	41.1	20.6	105.9	41.1	7.5	1,083.6	739.9
Loans.....	-	-	266.0	24.6	22.2	13.6	35.9	13.5	103.0	38.9	6.3	549.7	246.0
Grants.....	-	16.5	345.0	42.4	19.2	12.1	5.2	7.1	3.0	2.2	1.3	453.9	453.9

Table 6 (continued)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS												REPAY- MENTS AND INTEREST 1946- 1969	TOTAL LESS REPAY- MENTS AND INTEREST	
	POST-WAR RELIEF PERIOD	MARSHALL PLAN PERIOD	MUTUAL SECURITY ACT PERIOD	FOREIGN ASSISTANCE ACT PERIOD								TOTAL 1946- 1969			
				1948-1949	1949-1952	1953-1961	1962	1963	1964	1965	1966				1967
MILITARY ASSISTANCE PROGRAM - (Chg. to FAA App.) b/	-	16.7	436.0	33.3	70.1	27.3	49.9	93.5	75.2	85.8	165.5	1,332.4	72.2	1,259.6	1,259.6
Credit Assistance.....	-	-	436.0	-	-	-	-	52.4	34.1	111.7	50.9	50.9	72.2	431.3	431.3
Grants.....	-	16.7	436.0	33.3	70.1	27.3	49.9	93.5	75.2	85.8	165.5	1,332.4	72.2	1,259.6	1,259.6
(Additional Grants from Excess Stocks).....	(-)	(0.5)	(32.7)	(0.8)	(1.9)	(2.3)	(0.5)	(0.6)	(0.1)	(0.9)	(1.9)	(2.4)	(-)	(42.4)	(42.4)
OTHER MILITARY ASSISTANCE GRANTS.....	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EXPORT-IMPORT BANK MILITARY LOANS.....	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL MILITARY.....	-	16.7	436.0	33.3	70.1	27.3	49.9	93.5	75.2	85.8	165.5	1,332.4	72.2	1,259.6	1,259.6
TOTAL ECONOMIC AND MILITARY.....	25.8	33.2	1,077.0	100.2	111.4	53.0	91.0	114.1	181.1	126.2	170.1	2,336.0	316.5	1,999.5	1,999.5
Loans.....	25.8	-	266.0	24.6	22.2	13.6	35.9	65.9	137.1	86.0	118.0	1,053.8	336.5	717.3	717.3
Grants.....	-	33.2	781.0	75.7	89.3	39.4	55.1	48.2	44.1	40.9	52.2	1,282.2	-	1,282.2	1,282.2

* Less than \$50,000.

a/ Represents loan for Common Defense.

b/ Annual data represent deliveries; total through 1969 is the cumulative program.

Source: Agency for International Development, Statistics & Reports Division, U.S. Overseas Loans and Grants and Assistance from International Organizations. Obligations and Authorizations July 1, 1945-June 30, 1969, Special Rept prepared for the US Congress, House of Representatives, Committee on Foreign Affairs, 29 May 69, p 16.

intensified by its fear of Arab revolutionary aspirations in the area. At least momentarily, this new threat from the south was considered with such alarm that the Shah's regime even entertained the idea of concluding a 50-year non-aggression pact with the Soviet Union, either as a way to pressure the US into a more effective guarantee of Iran's security or as a means of reducing Soviet pressure from the north in order to concentrate efforts in the south. Iran was then satisfied by the US bilateral agreement of 5 March 1959 when similar agreements were also signed with Turkey and Pakistan. In these agreements, the US promised the use of American armed forces in case of aggression, but resort to military or other "appropriate action" was to be on the basis of mutual agreement rather than automatic on the part of the US.⁹²

The US agreement with Iran in 1959 did not increase the previous American commitment; nevertheless, Iran today looks to the US as the ultimate guarantor of its security. This point needs emphasizing in view of Iran's recent "national independent policy." This policy, as contrasted with the previous policy of "positive nationalism," symbolizes Iran's determination to play a more independent role in world affairs. It seems predicated on the premise that in the present circumstances of Iran's own internal strength as well as world politics, Iran need not follow the US too closely. A corollary of this newer posture is "peaceful co-existence and co-operation" with the Soviet Union. But, as already noted, the rapprochement with the Soviet Union was launched by Iran's 1962 pledge to the Soviet Union not to allow foreign missile bases on its territory. This decision was based in the main on Iran's recognition that US naval-based air power in the Mediterranean made the intermediate-range ballistic missiles obsolete. The pledge did not mean Iran no longer needed American protection. Nor has rapprochement with the Soviet Union in economic and technical fields since 1962 meant that Iran looks elsewhere for the preservation of its security. Today Iran emphasizes its own preparedness and capability to defend itself against any hostile regional state but ultimately counts on the US commitment to defend it against Soviet aggression.

The US and the Soviet Union both seem to endorse the principle of local security by local powers. There can be little doubt that the two

superpowers really mean different things. The Soviet Union's endorsement of nationalism or regionalism has always been directed against Western influence. In the Persian Gulf, it is meant to assist the cause of the "true national-liberation movement." As applied to the Arab side of the Gulf, it means assisting the emergence of Arab revolutionary regimes friendly to the USSR. As applied to the Iranian side of the Gulf, it means wooing Iran away from the West while increasing Soviet influence. The US is hopeful that self-reliance on the part of the Persian Gulf states will keep the US from embroilment in local conflicts.

Iran stands out in the Persian Gulf area today as the principal power in terms of both will and capability to maintain security in the area. It is the only ally of the West in the Persian Gulf region, the Gulf's largest single recipient of American public aid and private investment, the largest trade partner of the West in the region, the only country bordering on both the Soviet Union and the Persian Gulf, and the home of the largest number of American-educated policy makers in the region. In protecting US interests in the Persian Gulf and in setting its priorities, the US must ponder the extent to which American and Iranian interests are in fact intertwined.

REFERENCES AND NOTES

1. On international boundaries, see Whittemore W. Boggs, International Boundaries — A Study of Boundary Functions and Problems, AMS Press, Inc., New York, 1940. On Iran's international boundaries, see Maurice Harari, "The Turco-Persian Boundary Question: A Case Study in the Politics of Boundary-Making in the Near and Middle East," Ph.D. dissertation, Columbia University, New York, 1958; The Geographer, Department of State, International Boundary Study, Nos. 25 and 26, 30 Dec 63. (A series issued by the Geographer of the Department of State, including issues on Iran's boundaries with Afghanistan, USSR, etc.); Sepahbod Aman-ollah Jahanbani, Marzha-ye Iran va Showravi, Tehran, 1336 (1957-1958); and Rouhollah K. Ramazani, The Foreign Policy of Iran, 1500-1941: A Developing Nation in World Affairs, University Press of Virginia, Charlottesville, Va., 1966, Chap. 3.
2. Most Persian sources cited in this work devote considerable space to the geographic location and other features of the Iranian ports, islands, and coastal areas in the Persian Gulf.
3. The Persian semiofficial press has devoted increasing attention to Iranian ports as well as islands in the Persian Gulf in recent years. For example, on Abadan and Khorramshahr, see Ittila'at Havai, Nos. 2908, 2912, 5267, and 5280.
4. See Ittila'at Havai, No. 5127.
5. For contemporary Iranian accounts on Bandar Abbas, see Ittila'at Havai, Nos. 3267, 3977, 4550, and 5392.
6. On Qishm Island today, see Ittila'at Havai, Nos. 5299-5304.

7. On the islands of Hengam and Larak, see Ittila'at Havai, No. 5313.
8. On Hormuz and Kish Islands, see Ittila'at Havai, Nos. 5305-5311 and 5317.
9. On Kharg Island, see Ittila'at Havai, Nos. 3314, 3372, 3472, and 3905.
10. The upsurge of Iranian interest in the Persian Gulf sheikhdoms is evidenced by the great amount of coverage devoted to the significance of Iran's relations with these sheikhdoms by the Iranian sources cited before. Persian newspapers have also shown serious interest in the Persian Gulf sheikhdoms. See, for example, a series of 32 articles on these islands in Ittila'at Havai, beginning with No. 5044.
11. Security from maritime attack from the waters of the Persian Gulf, according to Strabo, prompted the Achaemenids to obstruct the course of the Karun River with masses of stones in order to defend the heart of their domains from hostile craft. But Sir Arnold Wilson believes that these stones were indeed dams constructed for irrigation purposes rather than for defense. Sir Arnold T. Wilson, The Persian Gulf: An Historical Sketch from the Earliest Times to the Beginning of the Twentieth Century, 3d Impression, George Allen & Unwin, Ltd., London, 1954, p 34.
12. The Shah ordered the Greek explorer "to survey the islands and sea shores of the Persian Gulf" and eventually extend the exploration work to the Sea of Oman, the Indian Ocean, and the Red Sea; the task was accomplished, and Darius the Great decreed the construction of a canal from the Nile to the Red Sea. It is believed that all these efforts were for both the protection of the domains of the Persian Empire and increased commerce — objectives maintained until the conquest of the empire by Alexander the Great (331 B.C.). Sadiq Nish'at (Meer-damad), Tarikh-i Syasi-i Khali-j-i Fars, Tehran, 1344 (1965-1966), pp 33-34.
13. For example, the Arabs of Hajar, which then included "Hasa, Qatif and Bahrain" frequently raided the Iranian coast, and Shahpur II (309-379 A.D.) in person commanded a naval expedition against the raiders. This expedition followed the earlier developments in the

Persian Gulf during the time of the Sassanian King Ardashir (early third century), greatly admired by contemporary Iranian writers for having restored the Persian Gulf and its shores to "Iranian sovereignty." There is little historical evidence to support such a sweeping claim, but it is important, nevertheless, as an index of contemporary Iranian conception of Iran's ancient position in the Persian Gulf. (Nish'at, p 68)

14. It is certain, however, that Ardashir did send an army into Bahrain — which had had its own king — and, after a year's seige, he took Bahrain and left his son Shahpur I as regent. (Wilson, p 85)
15. Even before the Persian Empire as a whole fell to the Arabs in the seventh century A.D., the Arabs of Bahrain accepted the message of the Prophet Muhammad's envoy, Al Ala, and became Muslims while under the rule of the King of Iran (Khosro II). Sir Percy Sykes, A History of Persia, Macmillan and Co., Ltd., London, 1963 3d ed, with Supplementary Essays, Vol II, p 186.
16. Wilson, pp 143-45.
17. Both British and Iranian accounts record that Imam Quli Khan first tried to persuade the English commanders to cooperate with Iran but then threatened confiscation of their silk purchase from Isfahan and abrogation of English commercial privileges if they refused to assist Iran's military operations against the Portuguese.
18. Sykes, p 194.
19. Ahmad Iqtidari, Khalij-i Fars, Tehran, 1344 (1965-1966), p 126.
20. Nish'at, pp 316-18.
21. The regaining of control of Bahrain during the rule of Nadir Shah is claimed by Iranian sources, while Sir Arnold Wilson simply asserts that "Bahrein remained under Persian domination from about 1753 until 1783, when it was lost to the Utub[i] Arabs." (Wilson, p 173) It is interesting to note that Nadir used the historical memory of Iran's ancient influence in the Persian Gulf in rationalizing the reassertion of Iran's position in Bahrain. For example, in a letter to Sheikh Nasr Khan, who was later appointed as governor of Bahrain, he told the Sheikh that he would take revenge on the Arabs for their behavior as the Sassanian King Shahpur II (309-379 A.D.)

had done in ancient times. See 'Ali Zarryn-qalam, Sar-zamin-i Bahrain: Az Duran-i Bastan ta Emruz, Tehran, 1337 (1958-1959), pp 85-104.

22. Sykes, p 272.
23. Wilson, p 178.
24. See Ahmad Faramarzi, Karim Khan-i Zand va Khalij-i Fars, Tehran, 1346 (1967-1968), p 8.
25. The ruling family of Bahrain to date is connected with these tribesmen who, according to British accounts, trace their origin to the Anaiza tribe, from which the Saudis of Saudi Arabia and the as-Subah family of Kuwait are believed to be descended.
26. See, for example, Zarryn-qalam, p 107.
27. Wilson, p 204.
28. C. U. Aitchison, A Collection of Treaties, Engagements and Sanads Relating to India and Neighboring Countries, Manager of Publications, Delhi, 1933, Vol XI, pp 234-35.
29. It must be mentioned that only 2 years after signing the specific 1820 treaty between Great Britain and the Sheikh of Bahrain, Captain William Bruce concluded an agreement with the Prince Governor of Shiraz that acknowledged Iran's title to Bahrain. The validity of this document was denied by the British.
30. George N. Curzon, Persia and the Persian Question, n.p., London, 1892, p 394.
31. For the text of the letter see Fereydoun Adamiyat, Bahrain Islands, A Legal and Diplomatic Study of the British-Iranian Controversy, Frederick A. Praeger, Inc., New York, 1955, pp 258-60.
32. In a letter (5 July 1870) Mirza Husain Khan Sepahsalar, the Iranian ambassador to Constantinople, wrote the Iranian foreign ministry that, although the Iranian "sovereign right" had been admitted "openly and in writing" by Great Britain, the protection of Iran's title to Bahrain required possession of necessary military force and, since Iran lacked the naval strength to protect its rights, it should try to grant the British the privilege to do so on behalf of Iran for a 3- to 5-year period. This realistic appraisal of Iran's power position in the Persian Gulf seemed

unpalatable to the Iranian elite, apparently including the Shah himself, who regarded Mirza Husain Khan's suggestion as "treason." In any case, Iran finally managed in 1885 to acquire a steamship of 600 tons, armed with four Krupp guns, and a small river steamer for the upper Karun River. The vessels were named Persepolis and Susa after glorious places in the annals of Iranian history, but as a naval power they were "ex nihilo nihil fit," to borrow Lord Curzon's designation. (For text of the letter, see Zarryn-qalam, pp 143-44.)

33. Both the Russian press and the official representative of the tsar at Tehran objected to the Iranian decision. In an interesting statement Nasser ed-Din Shah complained about the Anglo-Russian rivalry, stating that the Russians objected to the Karun concession on the ground that it supported the British interests in the south, and the British would object if Iran granted a concession to the Russians in the north. He then remarked sarcastically that the Anglo-Russian rivalry had reached a point where if "we wished to take a walk or to go hunting in the north, we must first consult the British or if we wished to do the same in the south we must then consult the Russians!" (For the text of the statement, see Ebrahim Taymouri, 'Asr-i Bee-khabary ya Tarikh-i Emtiyazat dar Iran, Tehran, 1332 [1953-1954], p 173.)
34. Wilson, p 259.
35. Sir A. W. Ward and G. P. Gooch, The Cambridge History of British Foreign Policy, Cambridge University Press, New York, 1923, Vol III, pp 320-21.
36. For the text of the Russian statement, see Ward and Gooch, p 359.
37. Quoted in US Federal Trade Commission, "International Petroleum Cartel," Staff Rept submitted to Subcommittee on Monopoly of the Select Committee on Small Business (82d Congress, 2d Session), Committee Print No. 6, US Govt Printing Office, Washington, D.C., 1952, p 49.
38. Given the tribal way of life in much of Iran, however, the existence of even a strong central government did not necessarily mean that all areas inhabited by tribes were effectively controlled.

Often the control was more nominal than real, but the essentially loose ties between the central government and tribal groups were an accepted pattern of relationship as long as the tribes' relative freedom of action did not produce adverse results for the central administration. One of the most, if not the most, important tests of the limits of tribal freedom was the payment of taxes to the central government. In 1924 the sheikh refused to pay tax arrears to the government in Tehran despite his previous agreement. This refusal touched off disagreement between Khaz'al and Riza Khan.

39. For details see Ramazani, The Foreign Policy of Iran,..., pp 247-50.
40. The five major means by which Riza Khan achieved the position of the supreme decision maker in Iran's domestic and foreign affairs were: "(1) unification and control of the army, (2) establishment of central authority over the provinces, (3) appeasement of the clergy, (4) domination of the Cabinet, and (5) manipulation of the Majlis." (For details, see Ramazani, The Foreign Policy of Iran,..., pp 177-86.)
41. See the text of Musaddiq's defense in Matn-i Difa-i Duktur Muhammad-i Musaddiq va Sartip Riahi dar Dadgah va Pasukh-i Timsar Sartip Azmudeh, Dadsitan, Tehran, n d, pp 42, 46.
42. General Zahedi's son, Ardashir Zahedi, reported subsequently that he went under an assumed name to Isfahan on 17 August to rally the aid of Col Zargham and Col Mahmud Zahedi but when he returned to Tehran on 19 August he found the crowds in the streets shouting pro-Shah slogans. (See Ardashir Zahedi's article in Khandaniha, 1 Sep 53, pp 19-20.)
43. The Tudeh party could be traced back to the early 1920's, but its active participation in Iranian politics occurred in the 1940's as a result of the release of a number of leftist intellectuals from Riza Shah's jail after his abdication. The party sent some eight deputies to the Fifteenth Majlis, its offshoot was instrumental in the establishment of the so-called Azerbaijan Democratic Republic, and it continued its activities in the 1950's despite the fact that it had been outlawed in 1949 after an attempt against the Shah.

44. There is little doubt that he enjoyed much support from major personalities such as Dr. Baqa'i, Husain Makki, Engineer Kazim Hassibi, Deputy Ha'ery-zadeh, and probably more importantly Ayatullah Kashani, a well-known clerical politician, in the 1940's and early 1950's, but by 1953 few of his former supporters endorsed his policies or tactics, and some rose in opposition against him.
45. See R. K. Ramazani, "'Church' and State in Modernizing Society: The Case of Iran," The American Behavioral Scientist, 7 (5): 26-28 (Jan 64).
46. Majid Khadduri, Republican Iraq: A Study in Iraqi Politics Since the Revolution of 1958, Oxford University Press, London, 1969, pp 1-2.
47. The Arab revolutionary perspective regarding the Persian Gulf, which is outlined here, is largely based on Mahmud 'Ali al-Daud, Muhadarat 'an al-tatawwur al-siyasi al-hadith li qadiyat 'Uman, Cairo, 1964. This brief account is fairly typical of the Arab revolutionary standpoint on the Persian Gulf, but it has the added advantage of being from the pen of an Arab policy maker as well as writer. See also his Muhadarat 'an al-Khalij al-'Arabi wal 'alaqat al-dawliyah, 1890-1914, The Arab League, Cairo, 1960-1961. For other studies on Arab views on the Persian Gulf, in both historical and contemporary times, see 'Abd al-'Amir Muhammad 'Amin, Al-quwa al-bahriyah fi al-Khalij al-'Arabi fi al-qarn al-thamin 'ashar, Baghdad, 1966; 'Abd al-'Aziz Husayn, Muhadarat 'an al-Mujtama' al-'Arabi bi al-Kuwayt, The Arab League, Cairo, 1960; Salah al-'Aqqad, 'Isti'mar fi al-Khalij al-Farisi, Cairo, 1956; and Salim Taha al-Takriti, Al-Sara' 'an al-Khalij al-'Arabi, Baghdad, 1966.
48. See Mahmud 'Ali al-Daud, Muhadarat 'an al-tatawwur..., pp 11-17.
49. For the text of the Sheikh's statement, see Ittila'at Hava'i, 3 Aug 60.
50. Editorial, Ettela'at, 9 Aug 60.
51. For the text of the statement of the Sheikh of Sharja, see "Nashrat 'Akhbar" (Arab League's "Newsletter"), No. 42, 7 Jul 65.
52. For other events relevant to Egyptian involvement in the Gulf, see the chronology of developments in the Middle East Journal, 19: 487-516 (Autumn 1965) and 19: 67-92 (Winter 1965).

53. See "Nashrat 'Akhbar," No. 42, 7 Jul 65.
54. Editorial, Ettela'at, 22 Dec 64.
55. See "Arabistan: Another Palestine?" Arab Observer, 14 Feb 66.
56. For the text, see Kayhan International, 3 May 69.
57. For the text of the speech, see Zarryn-qalam, pp 332-44. The historic claim to Bahrain was reiterated by the Shah himself years before the announcement of withdrawal of British troops from the Persian Gulf. On a couple of occasions in the early 1960's, for example, Iranian correspondents asked the Shah to comment on the rumors regarding his discussion of the Bahrain question with British officials during his European trips. In response to the correspondent of Marde Mobarez, he remarked that since Bahrain belonged to Iran it was not negotiable. "Our rights to Bahrain are so evident that we are not prepared to talk about them at all, because if we enter discussions concerning it, the implication is that we accept some rights for others in this matter." In commenting on a question by the publisher of Faryade Khuzistan, the Shah stated: "Our overall and consistent policy has been to consider Bahrain a part of Iranian territory. We will continue to follow this policy in the future.... Our policy will remain unchanged and we will exercise our rights at the first possible opportunity."
58. Kayhan International, 9 Jul 69.
59. Christian Science Monitor, 16 Mar 68.
60. Al-Ahram, 3 Feb 68.
61. Kayhan International, 6 Jan 69.
62. Kayhan International (Airmail Weekly), 20 Sep 69.
63. Kayhan International (Airmail Weekly), 1 Nov 69.
64. The significance of the interplay between the more "constant" factors, such as geography, and the more "dynamic" factors, such as technology, in the study of international relations has been increasingly realized in recent decades. See, for example, Quincy Wright, The Study of International Relations, Appleton-Century Crofts, New York, 1955. For a recent statement of this realization in the context of modern political science, see Heinz Eulau and James G. March (eds), Political Science, Prentice-Hall, Inc., Englewood Cliffs, N.J., 1969, pp 25-27.

65. See Rouhollah K. Ramazani, "Oil and Law in Iran," The Journal of the John Basset Moore Society of International Law, 2 (2): 56-70 (1962).
66. See Ittila'at Havai, No. 4522.
67. See Iran Oil Journal, Jan 70, p 24.
68. See Bank Melli Iran, Annual Report and Balance Sheet, Tehran, 20 Mar 68, pp 143-51.
69. See Iranian Oil Operating Companies, Mah Shahr Oil Products Export Terminal, Tehran, 1967; and Facts about Abadan, Tehran, 1967.
70. Kayhan International, 13 Feb 69.
71. The information regarding the impact of the oil industry on the Iranian economy is based in part on the National Iranian Oil Company, "The Role of the National Iranian Oil Company in the Economy of Iran," mimeographed paper, Tehran, n d.
72. The statutes of the National Petrochemical Company were approved by the Council of Ministers on 3 Aug 66.
73. For the role of the petrochemical industry in Iran's economic development, see the speech of its Director-General, Engineer Baqir Mostawfi, "Naqsh-i San'at-i Petrosheemi dar Peeshraft-i Iqtisadi-i Iran," reproduced from Majelleh-i Bank Markazi-i Iran, Fifth Year, No. 56. See also, Shirkat Melli Naft-i Iran, "Chegoonigy-i Tosi'ah-i Sanaya'-i Petrosheemi dar Jahan va Iran," mimeographed paper, Tehran, 1347 (1968-1969).
74. Middle East Economic Digest, 10 (15): 173 (22 Apr 66).
75. For official analysis and numerous tables and charts on Iran's foreign trade, see Bank Melli Iran, Annual Report (1968), pp 318-47.
76. For the text of the relevant agreement, see Bank Markazi Iran, Bulletin, 2 (9): 365-68 (Sep-Oct 63).
77. Kayhan International, 10 Feb 68.
78. No systematic study on the development of Persian Gulf ports is available. These accounts have been constructed from several sources, including articles in Kayhan International (Daily and Airmail Weekly), and Ittila'at Havai. For further information, see articles in Kayhan International, 7 Aug, 20 Oct, and 19 Nov 68 and 5, 10, and 11 Feb 69.

79. The information on these measures is extracted from a speech by 'Ali Asghar Peer-zad, delivered at the Second Conference of the Chamber of Commerce, Tehran, Iran.
80. See Kayhan International (Airmail Weekly), 8 Nov 69, Kayhan International, 21 Aug 68.
81. See, for example, Ziy'a ed-Din Sadr-zadeh, Sadirat-i Iran az Didgah-i Rushd-i Iqtisadi: Tajziyeh va Naqd, Mushgelat va Rah-hay-i Behboody, Tehran, 1346 (1967-1968), p 169.
82. The resolution of the conference is cited in Christopher Mayhew, Britain's Role Tomorrow, Hutchinson, London, 1967, p 7.
83. Daily Star (Beirut), 27 Jan 68. For intimate reports of the activities of the Persian Gulf states subsequent to the announcement of the British decision, see Daily Star (Beirut), 11 and 12 Jan 68 and 4, 20, 25, and 26 Jun 68.
84. For conditions in the Trucial States, see K. G. Fenelon, The Trucial States: A Brief Economic Survey, Middle East Economic & Social Monographs No. 1, Khayats, Beirut, 1967.
85. Kayhan International (Airmail Weekly), 11 Oct 69.
86. For a theoretical treatment of the Iranian political system, see Leonard Binder, Iran: Political Development in a Changing Society, University of California Press, Berkeley, Calif., 1962. This work, however, was completed before the "White Revolution" was launched. The field observations outlined here took place in 1968-1969 when the present author was engaged in research in Iran.
87. Because of this fear, the politically alienated most often avoid serious discussion by means of resorting to a variety of what one may call "social escape mechanisms." Field observation reveals that such social practices as telling anecdotes, drinking, gambling, etc. are often consciously substituted for serious political discussion in social gatherings in order to avoid possible leaks to the police.
88. For one of the earliest studies of the Soviet arms sale in the Arab Middle East as well as other uncommitted countries, see Rouhollah K. Ramazani, "Soviet Military Assistance to the Uncommitted Countries," Midwest Journal of Political Science, 3 (4): 356-73 (Nov 59).

89. For an excellent discussion of the changing Soviet military posture in the Middle East, see J. C. Hurewitz (ed), Soviet-American Rivalry in the Middle East, Frederick A. Praeger, Inc., New York, 1969, particularly pp 21-90. For an able analysis of "Soviet Ambitions and Potentials" in the Persian Gulf in general, see O. M. Smolensky, in T. Cuyler Young (ed), Middle East Focus: The Persian Gulf, The Princeton University Conference, Princeton, N.J., n d, pp 150-62.
90. New York Times, 7 Apr 68.
91. Current Digest of the Soviet Press, 20 (9): 26 (21 Mar 68).
92. The general nature of the US commitment to Iran may be gathered from two documents: TIAS 4189, "Agreement of Cooperation between the Government of the United States and the Imperial Government of Iran," signed and entered into force on 5 Mar 59.

The Imperial Government of Iran is determined to resist aggression. In case of aggression against Iran, the Government of the United States of America, in accordance with the Constitution of the United States of America, will take such appropriate action, including the use of armed forces, as may be mutually agreed upon and as is envisaged in the Joint Resolution to Promote Peace and Stability in the Middle East, in order to assist the Government of Iran at its request.

The Joint Communique, President Kennedy and the Shah of Iran (Muhammad Riza Pahlavi), Washington, D. C., 13 Apr 62, in American Foreign Policy: Current Documents, 1962, pp 778-79. The communique stated, in part, that they discussed and were:

...in complete agreement on the subject of the nature of the threat to the Middle East and to all free peoples. They reaffirmed the provisions of the bilateral agreement of 1959 concerning the maintenance of the independence and territorial integrity of Iran, and agreed on the necessity of collective arrangements to achieve this end.